

**DIRECT TESTIMONY AND EXHIBITS OF**  
**CHARLES E. LOY**  
**ON BEHALF OF**  
**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**  
**DOCKET NO. 2019-281-S**  
**IN RE: APPLICATION OF PALMETTO UTILITIES, INC. FOR**  
**ADJUSTMENT (INCREASE) OF RATES AND CHARGES, TERMS AND**  
**CONDITIONS, FOR SEWER SERVICE PROVIDED TO CUSTOMERS IN**  
**ITS RICHLAND AND KERSHAW COUNTY SERVICE AREAS**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

**A.** My name is Charles E. Loy. I am a Principal at GDS Associates, Inc. (“GDS”) and my business address is 919 Congress Avenue, Suite 1100 Austin, Texas 78701.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

**A.** I received a bachelor’s degree in Business Administration with a concentration in accounting from the University of Texas at Austin. I am a Certified Public Accountant in the State of Texas. Prior to joining GDS in June of 2001, I was General Manager of Rates and Regulatory Affairs of AquaSource, Inc. (“AquaSource”), a wholly-owned water and wastewater subsidiary of DQE, Inc., a publicly traded electric utility located in Pittsburgh, PA. My responsibilities included the organization, preparation, and management of various rate filings and proceedings on rate requests and other regulatory matters in the twelve states where AquaSource provided water and wastewater utility service. Prior to joining AquaSource, I was a Manager of Regulatory Affairs for Citizens Utilities Company, Public Services Sector (“Citizens”). At Citizens, I was responsible for various regulatory matters,

1 including rate cases for water/wastewater, gas, and electric services in eight states. Prior to  
2 joining Citizens, I was a Rate Manager with Southern Union Gas where I prepared rate  
3 filings, cost of service studies, and testimony for their various operations in Texas and  
4 Oklahoma. My utility regulation experience began with Diversified Utility Consultants as  
5 a Senior Analyst, where I assisted in the review and analysis of various gas, electric, and  
6 water company rate filings. My professional resume is included as Exhibit CEL-1.

7 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

8 **A.** I am testifying on behalf of the South Carolina Office of Regulatory Staff (“ORS”).

9 **Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC SERVICE**  
10 **COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?**

11 **A.** Yes. Exhibit CEL-1 provides the proceedings in which I have testified.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 **A.** My testimony generally follows the GDS report “The Analysis and Determination  
14 of the Value of Donated Assets for Palmetto Utilities Inc.’s Palmetto of Richland County,  
15 LLC Service Area” (“Report”) submitted to the ORS on June 5, 2019, which is attached as  
16 Exhibit CEL-2. The Report was commissioned as a result of a stipulation reached between  
17 the ORS and Palmetto Utilities, Inc. (“PUI” or “Company”) in its last rate proceeding. My  
18 testimony addresses two (2) issues covered in the above referenced report related to the  
19 sewer collection system (“PRC Plant”) which Palmetto of Richland County, LLC. (“PRC”)   
20 acquired via an Asset Purchase Agreement (“APA”) from the City of Columbia (“City”).  
21 PRC subsequently merged with the applicant in this proceeding, PUI. First, I discuss the  
22 proper regulatory treatment of PRC expansion fees. Second, I demonstrate the appropriate  
23 regulatory treatment of the PRC Plant.

**Regulatory Treatment of Expansion Fees**

**Q. WHAT IS AN EXPANSION FEE AND WHAT IS ITS PURPOSE IN THE CONTEXT OF A WASTEWATER UTILITY?**

**A.** Expansion fees are one-time charges that a utility assesses on new wastewater customers as a condition for their access to utility wastewater services. Expansion fees are distinct from a tap or connection fee which is defined as: “A charge made by the utility to recover the cost of connecting the customer’s service line to the utility’s facilities.”<sup>1</sup> Rather than the cost to merely connect the new customer, the purpose of an expansion fee or system development charge (“SDC”) is: “A contribution of capital toward existing or planned future backup plant facilities necessary to meet the service needs of new customers.”<sup>2</sup> Thus, the purpose of an expansion fee is to recoup the cost of the transportation and treatment of wastewater for an additional customer. Appendix A of the Commission’s order in the acquisition case defined the rates to be collected by PRC very clearly.<sup>3</sup> Specifically, it defined that “a sewer plant expansion fee shall be required to be paid prior to each sewer service connection to offset the cost of constructing increased capacity or capital expenditures to retain current system capacity.”

**Q. PLEASE DETAIL THE DIFFERENT EXPANSION FEES IN THIS PROCEEDING.**

**A.** There are three (3) different expansion fees in this case.

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<sup>1</sup> See AWWA’s M1, “Principles of Water Rates, Fees, and Charges” page 400. Also see Water Environment Federation’s Manual of Practice No. 27, “Financing and Charges for Wastewater Systems” page 196.

<sup>2</sup> See AWWA’s M1, “Principles of Water Rates, Fees, and Charges” page 406. Also see Water Environment Federation’s Manual of Practice No. 27, “Financing and Charges for Wastewater Systems” page 182.

<sup>3</sup> Commission Docket No. 2012-273-S. See <https://dms.psc.sc.gov/Web/Dockets/Detail/114192>.

1. The “Pre-Acquisition Expansion Fee” or the fees charged by the City before the divestiture of the PRC Plant; these fees are not at issue;
2. The “Post-Acquisition Expansion Fee” or the fees charged starting the date the APA was signed until the issuance of its current rate order as a result of its last rate case; these fees are at issue; and
3. The “Current Expansion Fee” or the fees granted in the last rate case which are not at issue.

**Q. WHICH EXPANSION FEE TYPE DOES COMPANY WITNESS HAROLD WALKER ADDRESS IN HIS TESTIMONY AND HIS EXHIBIT HW-1 REPORT?**

**A.** Witness Harold Walker in his direct testimony and consulting report (Exhibit HW-1) describes the Pre-Acquisition Expansion Fee accurately. The City charged new customers an expansion fee for several years to fund upgrades to the City’s wastewater treatment plant. I agree with witness Harold Walker’s conclusions as laid out in his direct testimony and Exhibit HW-1 to the extent the only Contributions in Aid of Construction (“CIAC”) he is referencing is the Pre-Acquisition Expansion Fees. Specifically, witness Harold Walker’s application of the National Association of Regulatory Utility Commissioners (“NARUC”) Uniform System of Accounts for Class A Wastewater Utilities (“USOA”) as it applies to utility plant acquisition and the treatment of CIAC. I also agree that the APA excluded the City’s Pre-Acquisition Expansion Fees. The Pre-Acquisition “Expansion Fee related CIAC had no value to PRC at the purchase date or currently since PRC has never had use of the underlying capital.”<sup>4</sup> From a ratemaking

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<sup>4</sup> Exhibit HW-1, Page 12 of 47.

perspective, I believe that no action is required regarding the Pre-Acquisition Expansion Fees charged by the City.

**Q. DO YOU HAVE ANY ISSUE WITH THE COMPANY'S OTHER TWO EXPANSION FEES DEFINED ABOVE?**

**A.** I only take issue with PRC's treatment of Post-Acquisition Expansion Fees. Again, that means the expansion fees that were collected after the sale of the PRC Plant and before the current rates granted in the Company's last rate case took effect.

**Q. DID PRC CONTINUE TO CHARGE EXPANSION FEES POST-ACQUISITION?**

**A.** Yes. As a part of the acquisition and subsequent Commission order,<sup>5</sup> PRC continued to charge the same rates as those which the City had previously utilized, including the expansion fee.

**Q. DO YOU ASSERT THAT PRC SHOULD NOT HAVE CHARGED THE EXPANSION FEES?**

**A.** No. PRC necessarily charged the expansion fee in accordance with the Commission order in the 2012 acquisition case which specified that "PRC will continue to charge the affected customers the same monthly service rates and connection charges now imposed by the City." Importantly, that order also "anticipated that such flow will eventually be transported by PRC to the Spears Creek Regional Wastewater Treatment Plant ("WWTP") for treatment pursuant to the terms of a bulk treatment agreement between PRC and PUI."<sup>6</sup>

**Q. WHAT IS YOUR ISSUE WITH PRC'S EXPANSION FEES?**

**A.** In my investigation that led to the 2019 GDS Report it was determined that all expansion fees collected from customers were booked to revenues. This practice was

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<sup>5</sup>Commission Docket No. 2012-273-S Order No. 2012-960. See <https://dms.psc.sc.gov/Web/Dockets/Detail/114192>.  
<sup>6</sup>*Id.*

1 started under Ni America's ownership and continued after PRC was sold to Pacolet  
2 Milliken, LLC. When asked why the Company classified the expansion fees as revenues  
3 rather than CIAC the Company responded as follows:

4 *The expansion fees under the City's tariff, was entirely booked to revenue*  
5 *for two reasons. First, no treatment facilities were acquired from the City*  
6 *and therefore there was no plant component to which they could be assigned*  
7 *as CIAC. Further, the Company received an opinion from its independent*  
8 *certified public accountant at the time of the purchase that the expansion*  
9 *fees could only be treated as revenue.<sup>7</sup>*

10  
11 **Q. PLEASE ADDRESS THE COMPANY'S FIRST STATEMENT THAT "NO**  
12 **TREATMENT FACILITIES WERE ACQUIRED FROM THE CITY" AND THUS**  
13 **THE FUNDS COULD NOT BE CLASSIFIED AS CIAC.**

14 **A.** This claim is confusing. As indicated above in referenced Order No. 2012-960, the  
15 approval to transfer the City's tariff to PRC was made with the understanding that the "flow  
16 will eventually be transported by PRC to the Spears Creek Regional WWTP." In addition,  
17 the City's tariff transferred to PRC by the Commission specifically designates the  
18 expansion fees as follows:

19 *A sewer plant expansion fee shall be required to be paid prior to each sewer*  
20 *service connection to **offset the cost of constructing increased capacity or***  
21 ***capital expenditures to retain current system capacity in accordance with***  
22 ***the capital improvements plan of the Utility.** The costs of construction or*  
23 *expenditures to retain current system capacity shall include design and*  
24 *engineering costs, materials and labor to provide the **intended plant***  
25 ***capacity increase.** The amount of the expansion fee for each connection*  
26 *shall be computed by multiplying the number of taps required for each*  
27 *application in accordance with section 2(a) times \$2,640.00. [emphasis*  
28 *added]*

29 The tariff explicitly communicates to customers that the \$2,640 per tap expansion  
30 fee will be used to offset the cost to increase or retain the capacity of the system. The

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<sup>7</sup> PUI's response to ORS Water Operations Request #9.

1 Company began planning and incurring costs for the transfer of PRC flows and the  
2 expansion of the Spears Creek Regional WWTP after receiving Commission approval for  
3 the acquisition.<sup>8</sup> Given these circumstances, the expansion fees should have been  
4 classified as CIAC. Even if the Company had not been transferring PRC flows to its Spears  
5 Creek Regional WWTP, the Expansion Fees should have been booked as CIAC and the  
6 related funds utilized for the existing system and future upgrades.

7 **Q. THE COMPANY STATED THAT THEIR INDEPENDENT CERTIFIED PUBLIC**  
8 **ACCOUNTANTS DETERMINED THAT AT THE TIME OF THE PURCHASE**  
9 **THE EXPANSION FEES COULD ONLY BE TREATED AS REVENUE. PLEASE**  
10 **COMMENT.<sup>9</sup>**

11 **A.** The Company provided a copy of the audited financials when they responded to  
12 this request. At the time of the audit, Ni America owned the utility prior to selling it to  
13 Pacolet Milliken, LLC, the current owner. I would note that classifying the expansion fees  
14 as revenue rather than CIAC made the utility more profitable than what it would be under  
15 a regulated or rate case environment. I am not challenging the classification of expansion  
16 fees as revenues for financial reporting purposes by the independent certified public  
17 accountants. Some rules and regulations for financial reporting purposes can be different  
18 than the rules and regulations for rate making purposes. It is possible that Ni America's  
19 classification of expansion fees as revenue may have led to the Company's  
20 misunderstanding that expansion fees should be recorded as revenue. Regardless, under the  
21 rules and regulatory practices of the Commission, funds from expansion fees (or CIAC)  
22 are always treated according to the NARUC USOA.

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<sup>8</sup> PUI's response to ORS Water Operations Request #16, 6a.

<sup>9</sup> PUI's response to ORS Water Operations Request No. 9, 2b.

**Q. WHAT DOES THE NARUC USOA REQUIRE REGARDING THE RECORDING OF EXPANSION FEES?**

**A.** The NARUC USOA defines expansion fees as CIAC and requires it to be booked as such. Company witness Harold Walker explains as much in his Exhibit HW-1. Expansion fees are customer contributions to fund eventual wastewater treatment expansion. As also correctly described by witness Harold Walker, the Company eventually moved the PRC customers onto its Spears Creek WWTP since a condition of the APA was that PUI “construct necessary infrastructure allowing connection to its own treatment plant.” The post-acquisition PRC expansion fees were not unconditional monies to boost the Company’s equity for regulatory purposes. Those funds should have been booked as CIAC and used to defray the cost of connecting customers to the treatment plant as indicated in the Company’s tariff.

**Q. HAVE YOU ANALYZED THE AMOUNT OF EXPANSION FEES COLLECTED BY PRC POST-ACQUISITION?**

**A.** Yes, Table 1 below lays out the Post-Acquisition Expansion Fees, defined by the number of Equivalent Residential Connections (“ERCs”) made over the applicable time period, charged by PRC. That amount totals \$2,644,673.



**Table 1: Post-Acquisition Expansion Fee Summary**

	No. of Connections Made (ERCs)	Expansion Fee Charged & Booked	Capacity Related CIAC
<b><u>Known Expansion Fees</u></b>			
Pre-Closing 6/2012 - 4/2013	109	\$2,640	\$287,760
Post-Closing 4/2013 - 12/2013	95	\$2,640	\$250,800
7/2013 Sparkle Car Wash	10.4	\$2,640	\$27,456
2014	159	\$2,640	\$419,760
2/2014 Clemson Rd Assisted Living	34.1	\$2,640	\$90,024
2015	121	\$2,640	\$319,440
2016	184	\$2,640	\$485,760
2017	177	\$2,640	\$467,280
4/2017 Columbia IL Investors LLC	39.27	\$2,640	\$103,673
2018	52	\$2,640	\$137,280
1/1/2019 - 6/30/2019 *	21	\$2,640	\$55,440
Total CIAC Related to Expansion Fees			<b><u>\$2,644,673</u></b>
* Deferred Prior to 2018 Rate Change (from last rate case) and Recognized in 2019			

**Q. WHAT IS YOUR RECOMMENDATION RELATED TO THE POST-ACQUISITION EXPANSION FEES?**

**A.** I recommend that all expansion fees collected up until the last rate case order went into effect, charged to revenues as summarized in Table 1 above, be booked as CIAC according to Table 2 below. I allocated the expansion fee related CIAC between the cost of the transportation or pipeline system and the cost associated with the expansion of the Spears Creek Regional WWTP. Note that the total amount in Table 2 differs from Table 1 because of amortization. Exhibit CEL-3 provides my computation of the net CIAC.

**Table 2: Expansion Fee CIAC Treatment**

<u>Net CIAC</u>	<u>Pipeline CIAC</u>	<u>Treatment Plant CIAC</u>	<u>Total</u>
Vintage 2017	(\$1,546,511)	(\$754,228)	(\$2,300,739)
Vintage 2018	(\$87,923)	(\$43,969)	(\$131,892)
Vintage 2019	(\$36,115)	(\$18,548)	(\$54,663)
	<u>(\$1,670,549)</u>	<u>(\$816,745)</u>	<u>(\$2,487,294)</u>

**Regulatory Treatment of PRC Plant**

**Q. WHAT IS THE RATEMAKING BACKGROUND OF THE PRC PLANT?**

A. The PRC Plant was an issue in the Company's last rate case which was stipulated and deferred until the current rate case. The Company has included the PRC Plant in the per books rate base in this case. I will address the regulatory treatment of the PRC Plant and how that plant should be considered for ratemaking.

**Q. WHY DID THE COMPANY NEED TO PERFORM AN ORIGINAL COST STUDY ("OCS") OF THE PRC PLANT?**

A. The value of the PRC Plant was not readily available because of the poor documentation and records related to those assets. In this situation the NARUC USOA allows the utility to estimate the original cost of the plant. The Company hired consultants to develop studies to determine the value. Company witness Wood conducted a Reproduction Cost New ("RCN") study (Wood Exhibit A) which determines the cost of reproducing the system today. Company witness Clayton utilized the RCN study as an input into his OCS (DJC Exhibit 3). The OCS trends the production cost of the system to the original date it was originally put in service. Then, that original cost amount is depreciated forward to the current day to provide an estimate of the value of the plant.

**Q. DO YOU TAKE ISSUE WITH THE COMPANY’S USE OF AN ORIGINAL COST STUDY TO ESTIMATE THE VALUE OF THE PRC PLANT?**

**A.** No. As indicated earlier, NARUC allows for an OCS to be used as an estimate when records are not available, and the OCS method is accepted in the utility industry. The OCS approach upholds the fundamental principle of ratemaking that utility property is to be valued at original cost or when utility plant is first devoted to public service.

**Q. DO YOU HAVE SPECIFIC ISSUES WITH THE OCS?**

**A.** Yes. The OCS utilized the Consumer Price Index for All Urban Consumers (“CPI-U”) to trend reproduction costs back to original cost. I believe the Handy-Whitman (“H/W”) indices are better for trending wastewater plant.

**Q. WHAT IS THE CPI-U?**

**A.** The CPI-U is measured and reported by the Bureau of Labor Statistics (“BLS”). As the BLS explains, the CPI-U “measures the change in prices paid by consumers for goods and services” and is “based on prices of food, clothing, shelter, fuels, transportation, doctors’ and dentist’ services, drugs, and other goods and services that people buy for day-to-day living.”<sup>10</sup>

**Q. WHY IS THE CPI-U NOT AN APPROPRIATE INDEX IN THE CONTEXT OF THE OCS?**

**A.** The CPI-U is not relevant to the prices paid by a wastewater utility for constructing its system. For example, I see no relevance between a consumer’s cost of dental care and a utility’s cost to install sanitary sewer lines.

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<sup>10</sup> <https://www.bls.gov/news.release/cpi.nr0.htm>

1 **Q. ARE THE H/W INDICES MORE APPROPRIATE IN THE CONTEXT OF THE**  
2 **OCS?**

3 **A.** Yes. In my experience, usage of the H/W indices in an OCS is an industry norm.  
4 The H/W indices measure the cost trends specifically applicable to utility construction. In  
5 the case of a wastewater utility for example, the H/W indices can provide specifically the  
6 cost trends of PVC Mains. The application of the cost trend to a construction material  
7 directly applicable to the utility business is superior to applying that of a basket of  
8 consumer goods.

9 **Q. WHY DO YOU BELIEVE THE H/W INDICES ARE MORE APPLICABLE FOR**  
10 **TRENDING WASTEWATER PLANT?**

11 **A.** The H/W indices as described on its website “calculate the cost trends for different  
12 types of utility construction” and are “widely used to trend earlier valuations and original  
13 cost records to estimate reproduction cost.”<sup>11</sup>

14 **Q. DID YOU ASK THE COMPANY TO CITE OTHER CASES IN WHICH THE CPI-**  
15 **U WAS USED TO VALUE UTILITY PLANT?**

16 **A.** Yes. The Company cited five (5) cases; four (4) that were not very relevant. Three  
17 (3) of the cases related to telephone companies and one (1) electric and gas utility. Of the  
18 five, only one related to a water utility and the Commission/Court actually used H/W to  
19 value plant and only used the CPI-U for other non-plant items in rate base. In addition, the  
20 Company cited an AquaSource (a water and sewer utility) proceeding in Texas. However,  
21 they did not provide any documentation supporting their claim that CPI-U trended OCS

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<sup>11</sup> <https://wrallp.com/about-us/handy-whitman-index>

plant was accepted by the Texas commission.<sup>12</sup> Regardless, I believe the Texas claim is incorrect.

**Q. WHAT IS THE IMPACT OF REPLACING THE CPI-U WITH THE H/W INDICES?**

**A.** The impact of replacing the CPI-U with the H/W indices is summarized in the below table and shown in detail in attached Exhibit CEL-4.

**Table 3: PRC Plant Adjustment for H/W Indices**

	Company	Adjusted for H/W	Delta
<b><u>PRC Plant</u></b>			
Gross Plant	29,680,603	25,423,487	4,257,116
Accumulated Depreciation	<u>(17,273,229)</u>	<u>(14,723,840)</u>	<u>(2,549,389)</u>
Net Plant	12,407,374	10,699,647	<b>1,707,727</b>
* Recognizes retirements of certain PRC Plant			

**Q. WOULD YOU RECOMMEND ADOPTING THE RESULT OF THE OCS IF ADJUSTED AS YOU RECOMMEND TO USE THE H/W INDICES?**

**A.** Yes. The adjusted OCS provides the most reasonable estimate of the value of the plant. The difference of the purchase price of \$18 million and the OCS valuation using H/W should be booked to acquisition adjustment Account 114. However, with the exception of \$1,536,501 which is described below, a good deal of the remaining plant appears to be donated as evidenced by the documentation provided in the acquisition case.<sup>13</sup>

<sup>12</sup> PUI's Response to ORS Water Operations Request #24, 1.

<sup>13</sup> Commission Docket No. 2012-273-S. See <https://dms.psc.sc.gov/Web/Dockets/Detail/114192>.

1 **Q. PLEASE EXPLAIN THE SIGNIFICANCE OF DONATED PLANT FROM A**  
2 **REGULATORY PERSPECTIVE.**

3 **A.** It is a common industry practice for developers to construct wastewater utility  
4 assets and then donate that plant to the utility. In many cases it is more cost effective for  
5 the developer to construct the collection system and donate the system to a municipality  
6 that already has a treatment plant in operation. This could explain why the City did not  
7 have any cost records for a large portion of the plant transferred to PRC. Had the City spent  
8 funds to build plants, there would be records reflecting that.

9 **Q. DOES THE APA PROVIDE EVIDENCE INDICATING THE PLANT WAS**  
10 **DONATED?**

11 **A.** Yes. The APA included twelve (12) deeds related to donated property as  
12 attachments. Those deeds include transfers both for pump/lift stations and other details  
13 such as the size and lengths for sanitary sewer lines and number of manholes. The deeds  
14 should not be viewed as an exhaustive record. Rather, they point to an ongoing practice  
15 and trend that developers would construct wastewater utility assets and donate them to the  
16 City. According to PUI, the deeds provided in the APA attachments were the only records  
17 the City was able to produce at the time of the sale.

18 **Q. HOW SHOULD THE DEEDS THAT ONLY LIST LIFT STATIONS BE**  
19 **INTERPRETED?**

20 **A.** Based on my experience, I have never encountered a situation in which a developer  
21 built a lift station and not the associated lines. It would be equally unreasonable to suggest  
22 the developer built both and only donated the lift station. Therefore, donation of the lift  
23 station is evidence that the entire subdivision's system was donated.

**Q. IS THERE OTHER EVIDENCE AVAILABLE FROM DEVELOPERS TO SUPPORT THE PLANT WAS DONATED?**

**A.** Yes, Exhibit CEL-5 includes two (2) City-approved record drawings as representative examples from the hundreds of plats the Company provided. The purpose of these drawings is to lay out and define the sanitary sewer plan in order to gain City approval. These drawings specify for whom they were prepared. For these two examples, they were prepared for Brickyard-Long-Town, LLC and Heron Lakes, LLC. These are two limited liability companies established for the purpose of developing those subdivisions. The fact that developers are listed on the drawings is further evidence that the developers were constructing the wastewater assets and ultimately donating them to the City.

**Q. IS THERE OTHER EVIDENCE FROM THE CITY THAT SUPPORTS THAT MUCH OF THE PLANT WAS DONATED?**

**A.** Yes, I have attached the City's Accounting Record for the sale as Exhibit CEL-6. The City's Accounting Record contains several important aspects.

**Q. DOES THE CITY'S ACCOUNTING RECORD LIST CIAC?**

**A.** Yes. It includes \$2,299,875 of contributed capital (and \$257,396 of accumulated depreciation) and provides a list of twenty-four (24) subdivisions that constitute that figure. This list should be interpreted in the same way as the APA deeds. This is not an exhaustive list but adds to the evidence showing that developers were consistently donating plant to the City. Critically, the subdivision list shows the month of contribution, and the earliest date shown is July 2005. That means that the City did not start recording Contributed Capital specifically until that point.

**Q. DOES THE CITY'S ACCOUNTING RECORD LIST NON-CIAC?**

1     **A.**             Yes. The City's accounting record includes \$1,690,626 of building/improvements,  
2             equipment, and land (and \$400,210 of accumulated depreciation). Again, there is a list of  
3             assets. This provides evidence that, even though the City was donated plant, it also recorded  
4             plant which it invested itself. If the City had built and paid for other plant, it would be listed  
5             here.

6     **Q.     IS THERE ANYTHING ELSE ABOUT THE CITY'S ACCOUNTING RECORD**  
7     **YOU WOULD LIKE TO POINT OUT?**

8     **A.**             Yes. The City recorded a \$13.4 million gain on the transaction. The only way the  
9             City was able to record such a large gain for the transaction is due to the significant amounts  
10            of donated plant.

11    **Q.     WHY IS THE IDENTIFICATION OF THE DONATED PLANT IMPORTANT?**

12    **A.**             The NARUC USOA requires that donated plant be treated as CIAC and excluded  
13             from rate base. Additionally, most states do not allow the depreciation related to CIAC  
14             plant to be recovered in rates. Most importantly, the CIAC must remain CIAC regardless  
15             if it is sold to another utility. Witness Harold Walker appropriately describes the USOA  
16             rules regarding CIAC of acquired plant. As laid out and quoted in Exhibit HW-1,  
17             Accounting Instruction 21 of the USOA requires that the amount of CIAC acquired should  
18             be charged as plant and concurrently credited to CIAC. What this means is that the plant  
19             donated to the City must also be treated as CIAC by the Company. Thus, the determination  
20             and regulatory recognition of the CIAC nature of the PRC Plant is critical.

21    **Q.     DO YOU ACCEPT COMPANY WITNESS WALSH'S ARGUMENTS THAT THE**  
22    **CITY IS NOT A UTILITY ACCORDING TO THE USOA?**



1     **A.**           No, I do not. Simply because it is not regulated does not make the USOA entirely  
2           inapplicable to the City. As the recitals of the Company's application to acquire the City's  
3           assets laid out, the City "is a municipal corporation existing under the laws of South  
4           Carolina which is authorized to provide and does provide sewage collection and treatment  
5           services within and without its corporate limits." Also, the APA recitals provide that the  
6           City transfer to the Company "the retail wastewater utility service rights to the Purchased  
7           Area."

8     **Q.     DO YOU ACCEPT COMPANY WITNESS WALSH'S ARGUMENTS THAT THE**  
9     **PRC PLANT DOES NOT CONSTITUTE AN "OPERATING UNIT OR SYSTEM?"**

10    **A.**           No, the PRC Plant clearly constitutes a system. Those assets act as a connected  
11       whole to provide wastewater utility service to a certain geographical area and group of  
12       customers. Again, the APA defines the assets purchased by PRC as a "sanitary sewer  
13       collector system" or the "City System." In the acquisition case, the Commission's order  
14       "finds and concludes that the City operates a *wastewater collection system* in an  
15       unincorporated area of Richland County which *serves* the aforementioned 11,370  
16       customers." (emphasis added) Finally, acceptance of either of witness Walsh's arguments  
17       would mean that the entirety of the PRC Plant is nonutility plant, meaning even his  
18       misinterpretation that plant should be included at the Company's cost would not apply.  
19       Rather, none of the PRC Plant would be included in the Company's rate base.

20    **Q.     DOES ACCOUNTING INSTRUCTION 21 APPLY TO THE COMPANY'S**  
21    **ACQUISITION OF THE CITY'S ASSETS?**

22    **A.**           Yes. I do not believe more than a simple reading of the USOA is required to confirm  
23       this.

**Q DOES ACCOUNTING INSTRUCTION 21 REQUIRE THAT IN ORDER FOR THE ASSETS TO BE CLASSIFIED AS CIAC ON THE BUYER'S BOOKS, THEY MUST BE CLASSIFIED THIS WAY ON THE SELLER'S BOOKS.**

**A.** No. As explained in the GDS report (Exhibit CEL-2) GASB does not allow municipalities to classify cash contributions for plant or donated plant as CIAC. Regardless, GASB accounting treatment does not change the nature of the plant. The fact that the plant was donated and, if a private investor-owned utility ("IOU") such as PUI is allowed a return on the plant, it is the ORS's position (as well as other regulatory bodies) that the customers would effectively be paying twice for the same plant. Once when they purchased their property served by the collection system (by paying a price inclusive of the developer's cost to install the wastewater plant) and now under the ownership of a private entity such as PUI. Further, the USOA does not state that donated plant from a non-IOU should be treated differently than that from a private IOU. The USOA is clear that acquired donated plant be booked as CIAC.

**Q. DO YOU BELIEVE THE COMPANY RESPONDED TO YOUR DATA REQUESTS CONCERNING ITS TESTIMONY IN A MANNER THAT ALLOWED YOU TO FULLY UNDERSTAND THEIR POSITION?**

**A.** Not completely. I asked several questions related to the topics and issues I discussed above including the Company's interpretation of the USOA, data in the OCS, usage of the CPI-U, and the Company's information related to CIAC. The Company objected to all the requests presented in ORS Water Operations Request #28 (included as Exhibit CEL-7) and did not provide substantive responses to any of them.

**Conclusion**

**Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.**

**A.** My conclusions are as follows:

1. The Company's Post-Acquisition PRC Expansion Fees should be booked as CIAC;
2. The Company's OCS is acceptable as a means of estimating the value of the PRC Plant if CPI-U is replaced with the H/W indices;
3. The USOA governs the accounting treatment of the Company's acquisition of the PRC Plant, and specifically Accounting Instruction 21 applies; and
4. A considerable amount of evidence shows that the vast majority of the PRC Plant was donated by developers and should be treated as CIAC.

**Q. WHAT DO YOU SPECIFICALLY RECOMMEND WITH RESPECT TO CIAC TREATMENT OF THE PRC PLANT?**

**A.** The City's Accounting Record demonstrates that the City's only non-contributed plant had a book value of the lift stations. Accordingly, I recommend that the H/W indexed OCS amounts for the lift stations (with the exception of those retired and replaced since the acquisition) be reflected as the only non-CIAC plant.<sup>14</sup> The remainder of the plant should be treated as CIAC.

**Q. WHAT IS THE IMPACT OF YOUR RECOMMENDATIONS?**

**A.** My recommendations are reflected in ORS witness Kleckley's Direct Testimony and ORS witness Seale's Exhibit CLS-3, which are included in the calculation of net income for return on ORS witness Seale's Exhibit CLS-1.

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<sup>14</sup> PUI's Response to ORS Water Operations Request No. 9, 4.

**Q. IS YOUR RECOMMENDATION REGARDING THE CIAC TREATMENT OF THE PRC PLANT IN THE PUBLIC INTEREST?**

**A.** From ORS's perspective, it is in the public interest to strictly follow the accounting rules (i.e. NARUC USOA) and precedence from other jurisdictions unless a very compelling reason for an exception is presented by the Company. The Company has failed to demonstrate such a compelling reason thus far. In the above-mentioned 2019 GDS report (Exhibit CEL-2), I discuss this issue with respect to public interest generally and describe what other states have done in this area.

**Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?**

**A.** Yes. ORS fully reserves the right to revise its recommendations via supplemental testimony should new information not previously provided by the Company, or other sources, becomes available.

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

**A.** Yes, it does.

**Charles E. Loy, CPA**  
Principal

GDS Associates, Inc.  
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**EDUCATION:** BBA Accounting, University of Texas at Austin  
Certified Public Accountant, Texas

**PROFESSIONAL MEMBERSHIPS:**

American Water Works Association  
National Association of Water Companies  
Water Environment Federation  
Texas Society of Certified Public Accountants  
American Gas Association  
American Public Gas Association  
Texas Gas Association

**EXPERIENCE:**

Mr. Loy has over 25 years' of experience helping organizations meet challenges arising in both regulated and competitive environments within in the utility industry.

2001-Present GDS Associates, Inc.: Principal – Mr. Loy started with GDS in June of 2001. His focus is on regulatory accounting and finance. He is experienced in water, wastewater, natural gas, and electric regulatory and accounting matters. Mr. Loy assisted a number of water, wastewater and gas distribution clients with rate case filings before various regulatory authorities in a number of states. He has assisted with the financial analysis of wholesale purchase power and retail aggregation projects as a result of the deregulation of the electric industry in Texas. He has conducted analysis and developed recommendations regarding the Southwest Power Administration's rate increase on behalf of member clients. He has participated in a number of natural gas and electric projects involving rate increases, acquisition analysis and other special projects.

1999-2001 AquaSource Inc.: General Manager Rates and Regulatory Affairs - AquaSource Inc., a wholly owned subsidiary of DQE Inc and parent of Duquesne Light. AquaSource was formed in 1997 to take advantage of the consolidation in the water and wastewater industries and spent three years and more than \$400 million acquiring water and wastewater companies. Mr. Loy's duties included directing the compilation and filing of rate cases, acquisition analyses and related filings, regulatory commission/governmental relations in the twelve states in which AquaSource operates. Additionally, he supervised a professional staff located throughout the country and assisted in business development, developer contract negotiations and other special projects. His appointment came in the middle of AquaSource's aggressive acquisition phase. Accordingly, his first year was spent primarily working to clean up a very chaotic regulatory situation.

1993-1999 Citizens Utilities Company: Manager, Regulatory Affairs – Mr. Loy served as Project Manager of numerous multiple-company water and wastewater rate case filings, in Ohio, Illinois, Pennsylvania and Arizona. In those cases, he prepared and presented testimony, developed revenue requirement calculations, generated revenue and expense pro forma adjustments, performed working capital lead/lag studies, and evaluated rate design/cost of service issues. He proposed surcharge mechanisms for purchased water, a reverse osmosis process, and contract waste treatment. Additionally, Mr. Loy designed and directed the development of the multiple company revenue requirement models that generated filing schedules. In the fall of 1997, Citizens promoted Mr. Loy to Manager Regulatory Affairs. In the new position, he supervised the staff responsible for all regulatory activity involving gas, electric and water/wastewater in ten states. He was a key member of a team that negotiated a multimillion dollar water and wastewater agreement with a major developer in Phoenix on behalf of Citizens.

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- 1989-1993 Southern Union Gas Company: Rate Manager – Mr. Loy joined Southern Union as Sr. Internal Auditor. In that capacity, he contributed to multiple projects pertaining to the upcoming merger with a large publicly traded corporation. These projects included supervising audits of gas purchases, accounts receivable, accounts payable and oil and gas holdings. He was promoted to Rate Manager reporting to the Vice President of Regulatory Affairs. In that capacity, he supervised a team of four directing the preparation and implementation of 16 rate increase applications before various municipal and state regulatory bodies, and led negotiating sessions with elected and municipal officials. In addition to improving efficiency, he developed several rate mechanisms that resulted in increased earnings. One such efficiency was the Weather Normalization Adjustment Clause (WNAC). By eliminating weather-sensitive fluctuations, the WNAC increased earnings as much as 12%. He also developed a Cost of Service Adjustment Clause (CSAC) which was established in several smaller municipal jurisdictions. The CSAC allowed annual rate increases without the time and expense of major rate filings. Also, Mr. Loy performed analysis and due diligence for numerous municipal and private acquisitions.
- 1987-1989 Diversified Utility Consultants, Inc.: Sr. Accounting Analyst - Diversified Utility Consultants (DUC) is a consulting firm which represents consumers' interests in rate case proceedings. The firm's clients include municipalities and various state-supported consumer agencies. As a Sr. Accounting Analyst, Mr. Loy worked on seven electric rate cases, two gas rate cases and one water rate case.
- Prior to 1987 Mr. Loy spent summers in college rough necking, both offshore and onshore, on oil and gas drilling rigs. His first job after college was in the oil & gas industry where he started in accounts receivable and specialized in collecting past due accounts. He was in the Joint Interest Auditing Department where he reviewed drilling costs and negotiated refunds for the company and its joint interest owners.

#### **Regulatory Experience:**

Mr. Loy has presented testimony and/or participated in cases before the following regulatory bodies:

Pennsylvania Public Utility Commission – Water/Wastewater, Steam  
Public Utilities Commission of Ohio – Water/Wastewater, Gas  
Indiana Regulatory Commission – Water/Wastewater  
Idaho Public Utilities Commission- Water  
Illinois Commerce Commission – Water/Wastewater  
Arizona Corporation Commission – Water/Wastewater, Conservation Rates, Reclaimed Water  
Arkansas Public Utility Commission - Water  
Oklahoma Corporation Commission - Gas  
Texas Railroad Commission - Gas  
Texas Public Utilities Commission – Electric, Water/Wastewater/Electric  
Texas Commission on Environmental Quality – Water/Wastewater, Conservation Rates  
Delaware Public Service Commission – Water, Conservation Rates  
New Mexico Public Regulation Commission – Water/Wastewater, Conservation rates  
New York Public Service Commission – Water  
Public Service Commission of Montana - Gas  
Public Service Commission of South Carolina – Water/Wastewater  
Connecticut Department of Public Utility Control - Water  
New Jersey Board of Public Utilities - Water  
El Paso Public Utilities Board – Gas

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**WATER/WASTEWATER/GAS/ELECTRIC EXPERIENCE  
LIST OF TESTIMONY, EXPERT PROCEEDINGS, AND ENGAGEMENTS BY  
CHARLES E. LOY, CPA**

**GAS UTILITY RATES AND REGULATION EXPERIENCE**

**Railroad Commission of Texas**

GUD Docket 10190

Prepared filing and testimony of behalf of Hughes Natural Gas 2012 rate increase for the environs of the City of Magnolia.

GUD Docket 10083

Prepared filing and testimony of behalf of Hughes Natural Gas 2011 rate increase for the incorporated area of the City of Magnolia and environs.

GUD Docket 9731

Prepared filing and testimony of behalf of Hughes Natural Gas 2007 rate increase for the environs of the City of Magnolia.

GUD Docket 9488-9512

Prepared filing and testimony of behalf of West Texas Gas 2004 rate increase for the environs of cities served.

GUD Docket 8033

Filed testimony on behalf of Southern Union Gas Company's 1991 appeal for a rate increase in South Jefferson County.

GUD Docket 7878

Filed testimony and prepared the rate filing on behalf of Southern Union Gas Company's 1991 request for a rate increase in the Austin environs.

GUD Docket 6968

Assisted in the analysis of Southern Union Gas Company's 1987 appeal for a rate increase on the behalf of the City of Austin

**Public Service Commission of Montana**

Docket D2017.9.80

Filed testimony and prepared the cost of service and rate design, developed and explained the proposed Gas Infrastructure Reliability Clause (GIRC) and addressed the negative acquisition adjustment in the Energy West Montana's 2017/2018 rate filing.

**Public Utility Commission of Ohio**

Case Nos. 18-1720-GA-AIR; 18-1721-GA-ATA; 18-1722-GA-AAM

Filed testimony and prepared the cost of service and rate design, developed and explained the proposed Gas Infrastructure Clause in Northeast Ohio's 2018/2019 rate filing.

**Oklahoma Corporation Commission**

Docket No. 001345

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Principal

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Presented testimony and prepared the rate filing on behalf of Southern Union Gas Company's 1992 rate request.

**Pennsylvania Public Utility Commission**

Docket No. 2013-2386293

Assisted the University of Pennsylvania with the analysis of Veolia Energy Philadelphia Inc.'s 2013 steam rate case.

Docket No. 2009-2111011

Assisted the University of Pennsylvania with the analysis of Trigen-Philadelphia Energy Corp's 2009 steam rate case.

**Federal Energy Regulatory Commission**

Docket No. RP09-791-000

Assist municipal customers of MoGas analyze issues in FERC 2009 gas transportation rate case.

**City of Austin**

- Presented testimony and prepared filing as well as conducted settlement negotiations associated with Southern Union's 1993 rate request.
- Presented testimony and prepared filing on behalf of Southern Union Gas Company's 1991 rate request.
- Assisted in the analysis of Southern Union Gas Company's 1987 rate request on behalf of the City of Austin.

**City of El Paso Public Service Board**

- Presented testimony and prepared filing as well as participated in the settlement negotiations of Southern Union's 1993 rate request.
- Presented testimony and prepared filing on behalf of Southern Union Gas Company 1991 rate request.

**City of El Paso Public Service Board-cont.**

- Presented testimony and prepared the filing on behalf of Southern Union Gas Company 1990 request.

**City of Port Arthur**

- Presented testimony and prepared filing on behalf of Southern Union Gas Company's 1991 rate request.
- Participated in Southern Union Gas Company's 1990 rate request.

**City of Monahans**

- Presented testimony and prepared filing on behalf of Southern Unions Gas Company's 1992 rate request.
- Assisted in the analysis of Southern Union Gas Company's 1989 rate request on the behalf of the City of Monahans.

**City of Borger**

- Prepared testimony and prepared the filing on behalf of Southern Union Gas Company's 1992 rate request.
- Participated in Southern Union Gas Company's 1989 rate request on the behalf of the City of Borger.

**City of Galveston**

- Presented testimony and prepared the filing on behalf of Southern Union Gas Company's 1992 rate request.



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**Other Gas Related Engagements**

*City of Laurens, South Carolina*

Developed cost of service and rate design study 2018

*Lower Valley Energy Distribution Cooperative – Afton, Wyoming*

Developed cost of service and rate design study 2017/2018

*City of Clinton, South Carolina*

Developed cost of service and rate design study 2016/2017

*City of Alexandria, Louisiana*

Financial review, allocated cost of service and rate study for the gas system 2012/2013

*City of George West, Texas*

Gas utility rate study 2011/2012

*EPCOR*

Report and analysis of Gas IOU's and their regulation in the State of Texas

*Mitchell County Utility*

Assist with divestiture of gas utility assets

*Hughes Natural Gas*

Ongoing assistance with GRIP filings

*Markwest Energy Partners*

Ongoing transportation rates and regulatory consulting

*Consolidated Asset Management Services (CAMS)*

Ongoing assistance regarding RRC Transmission pipeline issues

*Alamo Transmission*

Assisted with initial tariff development and related cost of service

*Dynamic Energy Concepts Incorporated*

Assisted with the review of gas contracts, tariffs, analyzed usage data and assessed procurement practices for a number of US Veteran Hospitals across the country.

**WATER UTILITY RATES AND REGULATION EXPERIENCE**

**Arizona Corporation Commission**

Docket No. WS-01303A-006-0403

Presented testimony, prepared the Cost of Service study and rate design on behalf of Arizona-American Sun City and Sun City West Wastewater rate request.

**Charles E. Loy, CPA**  
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***Arizona Corporation Commission-cont.***

Docket No. WS-01303A-06-0403

Presented testimony, prepared the Cost of Service study and rate design on behalf of Arizona-American Anthem/Aqua Fria Water and Wastewater rate request.

Docket No. WS-01303A-06-0014

Presented testimony, prepared the Cost of Service study, rate design, and assisted with the preparation of the revenue requirements on behalf of Arizona-American Mohave Water and Wastewater rate request.

Docket No. W-01656A-98-0577, SW-02334A-98-0577

Presented testimony for approval of a Central Arizona Project Water utilization plan, the implementation of a Groundwater Savings Fee and the recovery of deferred project costs.

Docket WS-02334A-98-0569

Presented a filing for the approval of an agreement relating to a wastewater plant de-nitrification project with the Sun City Recreation Centers and Del Webb Corporation.

Docket U-3454-97-599

Prepared and presented a filing for the approval of a CCN to provide water and wastewater services to Del Webb's Anthem project and the approval of two related agreements.

Docket No. E-1032-95-417 ET AL.

Presented testimony and prepared the rate filing on behalf of Citizens Utilities Maricopa County water properties 1995 rate request.

**Arkansas Public Service Commission**

Docket No. 09-130-U

Presented pro forma adjustments to revenues and prepared the Cost of Service study and rate design on behalf of United Water Arkansas's 2009 rate request.

Docket No. 06-160-U

Presented testimony, prepared the Cost of Service study and rate design on behalf of United Water Arkansas's 2006 rate request.

Docket No. 03-161-U

Presented testimony, prepared the Cost of Service study, rate design, and assisted with the preparation of the revenue requirements on behalf of United Water Arkansas's 2003 rate request.

**Connecticut Department of Public Utility Control**

Docket No. 07-05-44

Prepared the rate filing and supporting testimony on behalf of United Water Connecticut's 2007 water rate request.

**Public Service Commission of South Carolina**

Docket No. 2014-346-WS

Represented ratepayers in Daufuskie Island Utility Company's 2014 Request for Increase for Water and Sewer Rates and in the Rehearing or Supreme Court Remand in 2017. Filed Testimony in both proceedings.

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Principal

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**Public Service Commission of Delaware**

PSC Docket No. 16-0163

Presented testimony, prepared the Revenue Requirements Schedules, Cost of Service study and rate design on behalf of SUEZ Water Delaware's 2016 rate request

PSC Docket No. 09-60

Presented testimony, prepared the Cost of Service study and rate design on behalf of United Water Delaware's 2009 rate request.

PSC Docket No. 06-174

Presented testimony, prepared the Cost of Service study, rate design, revenue normalization and cash working capital requirements on behalf of United Water Delaware's 2006 rate request.

**Idaho Public Utilities Commission**

Case No. UWI-W-09-01

Presented testimony, prepared revenue and expense pro forma adjustments, and proposed rate design on behalf of United Water Idaho, Inc. 2010 rate request.

**Indiana Utility Regulatory Commission**

Cause No. 41842

Prepared the filing and presented testimony for the Petition of Utility Center Inc. for the recovery of Distribution System Improvement Charges -2001

Cause No. 41559

Prepared the filing and presented testimony for a Certificate of Territorial Authority to render Sewage service.- 2000

Cause No. 41968

Directed the preparation of Utility Center Inc.' request for authority to increase its rates and charges for water and sewer service. -2000

**Illinois Commerce Commission**

Docket No. 94-0481

Presented testimony and prepared the filing on behalf of Citizens Utilities Company of Illinois 1994 rate request.

Docket No. 95-0633

Presented testimony on behalf of Citizens Utilities Company of Illinois in Tudor Park Apartments vs. Citizens Utilities of Illinois.- 1995

Docket No. 97-0372

Presented testimony on behalf of Citizens Utilities of Illinois in the Application for Consent to and Approval of a Contract with Affiliated Interests. 1997

**State Board of New Jersey Public Utilities**

BPU Docket No. WRO702125

Prepared and presented testimony on the determination of the cash working capital requirements on behalf of United Water New Jerseys 2007 rate request.

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Principal

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**New Mexico Public Regulation Commission**

Case No. 18-00124-UT

Presented testimony and assisted with the preparation of the water rate filing on behalf of EPCOR Water New Mexico Clovis District 2018/2019 Rate Request

Case No. 11-00196-UT

Presented testimony and assisted with the preparation of the water rate filing on behalf of New Mexico American Water Company Clovis District 2011 Rate Request

Case No. 09-00156-UT

Presented testimony and prepared the water rate filing on behalf of New Mexico American Water Company Edgewood District 2009 Rate Request

Case No. 07-00435-UT

Presented testimony and prepared the water and wastewater rate filing on behalf of New Mexico Utilities Inc. 2007 Rate Request

Case No. 08-00134-UT

Presented testimony and prepared the water rate filing on behalf of New Mexico –American Water Co. 2008 Rate Request

**New York Public Service Commission**

Presented testimony, prepared the Cost of Service study and rate design on behalf of United Water New Rochelle's 2010 rate request.

**Public Utilities Commission of Ohio**

Docket No. 98-178-WS-AIR

Presented testimony and prepared the filing on behalf of Citizens Utilities Company of Ohio 1998 rate request.

Docket No. 94-1237

Presented testimony and prepared the filing on behalf of Citizens Utilities Company of Ohio 1994 rate request.

**Pennsylvania Public Utility Commission**

Docket No. R-2009-2122887

Presented testimony, prepared the Cost of Service study and rate design on behalf of United Water Pennsylvania's 2009 rate request.

Docket No. R-00051186

Assisted with analysis/filing preparation of United Water Pennsylvania, Inc. 2005 Rate Case.

Docket No. R-00953300

Presented testimony on behalf of Citizens Utilities Company of Pennsylvania 1995 rate request.

**Public Utility Commission of Texas**

Docket 43242

Application for a 2014 Water Rate Tariff Change of Wiedenfeld Water Works

Prepared the application and filed testimony

**Charles E. Loy, CPA**  
Principal

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***Public Utility Commission of Texas-cont.***

Docket 44911

Application for a 2015 Sewer Rate Tariff Change of Bolivar Utility Services  
Assisted in the preparation of the application

Docket 44809

Application for a 2015 Water/Sewer Rate Tariff Change of Quadvest LP  
Prepared the application and filed testimony

Docket 47680

Application for a 2018 Sewer Rate Tariff Change of Bolivar Utility Services  
Assisted in the preparation of the application and filed testimony

**Texas Commission of Environmental Quality**

SOAH Docket 582-14-3415

Application for a 2013 Water Rate/Tariff Change of Canyon Lake Water Service Company  
Prepared the application and filed testimony on behalf of Canyon Lake WSC.

SOAH Docket No. 582-14-3384

Application for a 2013 Water and Sewer Rate/Tariff Change of SWWC Inc.  
Prepared application on behalf of SWWC, Inc.

SOAH 582-14-3381

Application for a 2013 Water and Sewer Rate/Tariff Change of Monarch Utilities LP  
Prepared application on behalf of SWWC, Inc.

SOAH Docket No. 582-12-0224

STM Application of Monarch Utilities I, L.P. to Transfer Water and Sewer Facilities and Certificates of Convenience and Necessity – provided assistance

Application 37531-R

Application for a Water Rate/Tariff Change of Quadvest L.P. Prepared application on behalf of Quadvest L.P.  
Prepared application on behalf of Quadvest L.P.

Applications 37507-R and 37508-R

Application for a Water and Sewer Rate/Tariff Change of Ranch Utilities, Inc. Prepared application on behalf of Ranch Utilities, Inc.

Application 37317-R

Application for a Water Rate/Tariff Change of Wiedenfeld Water Works, Inc. Prepared application on behalf of Wiedenfeld Water Works, Inc.

Applications 37234-R and 37235-R

Application for a Water and Sewer Rate/Tariff Change of Aqua Texas, Inc. North and Southwest Regions  
Prepared application on behalf of Aqua Texas, Inc.

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Principal

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***Texas Commission of Environmental Quality-cont.***

SOAH Docket No, 582-12-0224

Application for a Water and Sewer Rate/Tariff Change of Monarch Utilities LP  
Prepared application on behalf of SWWC, Inc.

SOAH Docket No. 582-11-1468

Application for a 2010 Water Rate/Tariff Change of Canyon Lake Water Service Company  
Prepared the application and filed testimony on behalf of Canyon Lake WSC.

SOAH Docket No. 582-11-1458

Application for a Water and Sewer Rate/Tariff Change of Aqua Texas, Inc. Southeast Region  
Prepared application on behalf of Aqua Texas, Inc.

Docket No. 0580-UCR

Application for a 2009 Water Rate/Tariff Change of Canyon Lake Water Service Company  
Prepared the application on behalf of Canyon Lake WSC.

Docket No. 35850-R

Application for a 2007 Water Rate/Tariff Change of Canyon Lake Water Service Company  
Prepared the application on behalf of Canyon Lake WSC.

Docket No. 33763-R

Application for a 2007 Water and Sewer Rate/Tariff Change of Midway, Inc. For the City of Oak Point Service area. Filing initially made with the City of Oak Point.

Docket Nos. 35748-R & 35747-R

Application for a Water and Sewer Rate/Tariff Change of Monarch Utilities LP  
Prepared the application on behalf of Monarch.

Docket No. 2006-0072-UCR

Application for a Water and Sewer Rate/Tariff Change of Aqua Texas, Inc  
Prepared application and presented testimony on behalf of Aqua Texas, Inc.

Docket No. 2007-0478-UCR

Application for a Water and Sewer Rate/Tariff Change of Texas American Water Inc.  
Prepared the application on behalf of Texas American Water.

Docket No. 2005-0114-UCR

Application for a Water and Sewer Rate/Tariff Change of Aqua Texas, Inc  
Presented Testimony on behalf of Aqua Texas, Inc.

Docket No. 2004-2029-UCR

Application for a Water and Sewer Rate/Tariff Change of Walker Water Works, Inc.  
Prepared the application on behalf of Texas American Water.

Application Nos. 34658-R & 34659-R

Application for a Water and Sewer Rate/Tariff Change of Southwest Utilities, Inc.  
Prepared the application on behalf of Texas American Water.

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***Texas Commission of Environmental Quality-cont.***

Docket Nos. 2000-1074-UCR, 2000-1075-UCR, 2000-1366 UCR through 2000-1369 UCR  
Assisted in the preparation and presentation of the Aqua Source 2000 rate increase

Application No. 7371-R (Texas Water Commission)  
Assisted in the analysis of Southern Utilities 1988 rate request on the behalf of Southern Utilities customers.

**Other Water Related Engagements and Expert Proceedings**

*The Landings Association – Savannah, Georgia*  
Assist with the annual review of water and sewer rate adjustments proposed by Utilities Inc of Georgia according to Settlement Agreement

*The City of Hutto, Texas*  
Independent Assessment of Proposed Acquisition of Groundwater Supply by the City of Hutto

*Woodland Oaks Utilities, Conroe Texas*  
Assist with the Texas PUC Transition

*City of Laurens, South Carolina*  
Developed cost of service and rate design study 2018

*City of Clinton, South Carolina*  
Developed cost of service and rate design study 2016/2017

*City of Alexandria, Louisiana*  
Financial review, allocated cost of service and rate study for the gas system 2012/2013

*Town of Providence Village, Texas*  
Developed Expert Witness Report for Denton County Court Cause No. 2011-60876-393  
Analysis of Agreements between Mustang SUD and Providence Village WCID

*City of Page, Arizona*  
Developed retail water and wastewater rate model, recommended retail water and wastewater rates and provided results and recommendations in a written report and presentation to the City of Page Council

*Mitchell County Utility, Texas*  
Assist with divestiture of water utility assets

*City of Longview, Texas*  
Ongoing assistance with development of annual formulary wholesale water and wastewater treatment rates.

*Aqua Texas, Inc.*  
Calculations and updates of Regional Uniform CIAC Fees



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***Other Water Related Engagements and Expert Proceedings-cont.***

***Dripping Springs WSC, Hays County WCID 1&2***

Review and analysis of West Travis County Public Utility Agency wholesale rate cost of service and rate increase 2012.

***SWWC Inc.***

- Decertification analysis and valuation of the CCN for Crosswinds development area.
- Decertification analysis and valuation of the CCN for TXI development area.
- Decertification analysis and valuation of the CCN for Tower Terrace/Kilgore Tract development area.
- Decertification analysis and valuation of the CCN for Villages at Warner Ranch development area.
- Long term forecast of all components of the revenue requirements of all Texas utilities

***Crystal Clear WSC***

Decertification analysis and valuation of the CCN for Texas GLO development area around New Braunfels Texas

***Woodbine Development Corp.***

Analysis and assistance with LCRA Windmill Ranch wholesale wastewater services contract renegotiations.

***Rebecca Creek MUD***

Before and after rate comparison, analysis and forecast regarding the merger proposed by Canyon Lake Water Supply Company.

***Global Water Resources***

Expert witness before American Arbitration Association regarding the financial standing and regulatory status of Global Water.

***Corix Utilities***

Assistance with bid preparation and analysis regarding the LCRA retail water and wastewater divestiture.

***Golden State Water Company***

Assistance with bid concerning divestiture of SWWC Inc.

***United Water Management and Services***

Developed report regarding Texas IOU regulation for internal assessment of the Texas water regulatory status.

***Austin Apartment Association***

Represented the Multi-Family water and wastewater classes in the City of Austin's Public Involvement Committee to review the 2017 water and wastewater rate study.



**Charles E. Loy, CPA**  
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***Other Water Related Engagements and Expert Proceedings-cont.***

***Greater Austin Water Forum***

Assisted industrial class water users with analysis and participation in the City of Austin 2008 Cost of Service Study.

***New Mexico Utilities***

Review/analysis and critique report on Albuquerque Bernalillo County Water Utility Authority's Cost of Service Wholesale Wastewater Rate Model

***Hays County Water Control & Improvement District No. 1 and No. 2***

Developed 2015/2016 retail water and wastewater rate model, recommended retail water and wastewater rates and provided results and recommendations in a written report and presentation to the Boards of each utility.

**ELECTRIC UTILITY RATES AND REGULATION EXPERIENCE**

**Public Utility Commission of Texas**

Docket No. 48002

Prepared the 2017/2018 Application for Interim Update of Wholesale Transmission Rates and testimony for Guadalupe Valley Electric COOP

Docket No. 46710

Prepared the 2016/2017 Application for Interim Update of Wholesale Transmission Rates and testimony for Guadalupe Valley Electric COOP.

Docket No. 45414

Prepared a cash working capital study and testimony on behalf of Sharyland Utilities L.P.'s 2016 Rate Application to establish retail distribution rates.

Docket No. 43731

Prepared a cash working capital study and testimony on behalf of Cross Texas Transmission LLC 2015 Rate Application to establish rates.

Docket No. 41474

Prepared a cash working capital study and testimony on behalf of Sharyland Utilities L.P.'s 2013 Rate Application to establish retail distribution rates.

Docket No. 31250

Presented testimony and rate filing on behalf of Rio Grande Electrical Cooperatives 2005 Change in rates for wholesale transmission service.

Docket No. 8702

Assisted in the analysis of Gulf States Utilities 1987 rate request.

Docket 8646

Assisted in the analysis of Central Power & Light's 1988 rate request.

**Charles E. Loy, CPA**  
Principal

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***Public Utility Commission of Texas -cont.***

Docket 7661

Assisted in the analysis of the City of Fredericksburg's proposed amendment to Certificate of Convenience.

Docket 7510

Assisted in the analysis of West Texas Utilities Company's 1987 rate request.

**Federal Energy Regulatory Commission**

Docket No. ER88-202-0000

Assisted in the analysis of the Maine Yankee Atomic Power Plant Decommissioning.

Docket No. ER88-224-0000

Assisted in the analysis of the Carolina Power & Light Company Atomic Power Plant Decommissioning.

**City of Bryan**

- Developed and programmed data management system for the city electric department.

**City of Fredericksburg**

- Organized and performed an electric rate survey of Central Texas.
- Assisted in a load and rate design study.

**City of Austin**

- Assisted in the analysis of the City Electric Utility Department's 1989 rate request.

**Other Electric Related Engagements**

***Dynamic Energy Concepts Incorporated***

Assisted with the review of electric contracts, tariffs, analyzed usage data and assessed procurement practices for a number of US Veteran Hospitals across the country

***H.E. Butt Grocery Company***

Electricity procurement assistance and analysis of supply alternatives

***Martin Marietta Materials***

Electricity procurement assistance and analysis of supply alternatives

***C.H. Guenther & Son, Inc.***

Electricity procurement assistance and analysis of supply alternatives

***Van Tuyl, Inc.***

Electricity procurement assistance and analysis of supply alternatives

**Charles E. Loy, CPA**  
Principal

GDS Associates, Inc.  
Page 15 of 15

***Other Electric Related Engagements-cont***

***Northeast Texas Electrical Cooperative***

- Ongoing review/analysis of Southwest Power Administration's annual Integrated Power Repayment Studies and resulting rates.
- Ongoing review/analysis of Southwest Electric Power Company's annual formulary wholesale rate adjustments.

***Tex-La Electric Cooperative***

- Ongoing review/analysis of Southwest Power Administration's annual Integrated Power Repayment Studies and resulting rates.
- Ongoing review/analysis of Southwest Electric Power Company's annual formulary wholesale rate adjustments

***Sam Rayburn G&T Electrical Cooperative***

- Ongoing review/analysis of Southwest Power Administration's annual Integrated Power Repayment Studies and resulting rates.
- Ongoing review/analysis of Southwest Power Administration's annual Robert D. Willis Power Repayment Studies and resulting rates.

***East Texas Electrical Cooperative***

- Ongoing review/analysis of Southwest Electric Power Company's annual formulary wholesale rate adjustments
- Ongoing review/analysis of Southwest Power Administration's annual Robert D. Willis Power Repayment Studies and resulting rates.



GDS Associates, Inc.  
Engineers and Consultants

**The Analysis and Determination of  
the Value of Donated Assets for  
Palmetto Utilities Inc.'s Palmetto of  
Richland County, LLC Service Area**

June 5, 2019

Submitted by  
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## **The Analysis and Determination of the Value of Donated Assets for Palmetto Utilities Inc.'s Palmetto of Richland County, LLC Service Area**

### **Introduction**

On March 20, 2013 (the "Acquisition Date"), Palmetto of Richland County, LLC ("PRC") acquired certain sewer system assets (the "PRC Assets") associated with a specific customer territory (the "PRC Territory") from the City of Columbia. On July 13, 2017 (the "Merger Date"), PRC was merged into PUI. In the general rate proceeding filed by PUI in Docket No. 2017-228-S, ORS and PUI entered into a Stipulation which allows issues concerning the valuation of the plant comprising the wastewater collection and transportation system serving customers in the former PRC Territory to be addressed in a future rate proceeding. The Scope of Services is focused on determining the value of donated assets. Our analysis focused on the following tasks as specified in our response to the ORS RFP:

- Task 1:** The identification and determinization of the value of the assets donated to the City that were sold to PRC;
- Task 2:** Review the PRC-City transaction and related books and records for conformity with National Association of Regulatory Utility Commissioners (NARUC) accounting Standards;
- Task 3:** Review any supporting records, documents and a valuation study prepared for Palmetto Utilities, Inc. (PUI); and
- Task 4:** Identify and confirm the accuracy of PUI accounting records related to the post acquisition of donated plant and extensions as well as pre and post-acquisition tap and expansion fees.

This report will first discuss contributions in aid of construction (CIAC or donated plant) under NARUC and GASB (the Government Accounting Standards Board), provide background of the transaction resulting in the transfer of the donated plant, the results of our investigation, and provide an observation of the transaction and lastly recommendations to consider for PUI's upcoming rate case.

We would like to express our sincere gratitude to the ORS for the assistance provided in gathering the data needed to conduct our analysis. We greatly appreciate their efforts which were essential to the successful completion of this project.

### **Donated Plant (CIAC) Rules Under NARUC and GASB**

Before we address the applicable issues in this report, it is important to understand the differences in the accounting treatment of donated plant, or CIAC, under NARUC, which governs regulatory accounting for investor owned utilities (IOU), and GASB which establishes accounting standards for financial reporting and assessment to governmental organizations.

The National Association of Regulatory Utility Commissioners' Uniform System of Accounts for Class A Wastewater Utilities, 1996, provides the well-recognized definition of "Contributions In Aid Of Construction":

Any amount or item of money, services or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public at page 2.

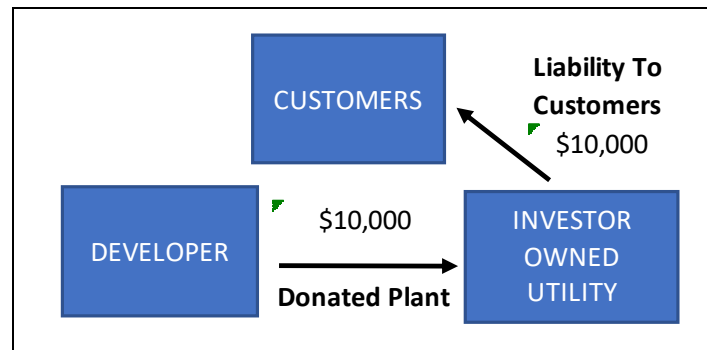
There are typically two kinds of contributions, developer and customer. Developers typically donate plant or provide large sums of money for utility service while a customer will pay for the connection or main extension to their service location.

### **NARUC Accounting**

Under NARUC any time a utility or IOU receives assets that it does not pay for (cost free capital), the IOU typically cannot recover the value of those assets in rate base. Said another way, customer and/or developer CIAC is excluded from the rate base because the utility should not earn a return on cost free capital. NARUC requires the IOU to record the donated plant values at cost and with an offsetting amount to a liability. The donated plant value and the offsetting liability are accounted for in rate base. Since they offset one another the net value is zero, the utility does not recover the cost of contributed plant.

Another fundamental principle of ratemaking is that utility property is typically valued based on when utility property is first devoted to public service. Thus, if the IOU is sold to another IOU, NARUC requires, absent of a statute stating otherwise, that the CIAC liability to be maintained on the acquiring IOU's books. The CIAC liability follows the donated plant regardless which party owns the IOU. It is also important to note that NARUC requires the depreciation of the asset and the amortization of the associated CIAC to be uniform, so both the asset and the liability are retired together at the time the donated plant is retired from service. Diagram 1 below shows the three-party relationship of CIAC required by NARUC.

**Diagram 1**  
**CIAC Under NARUC**

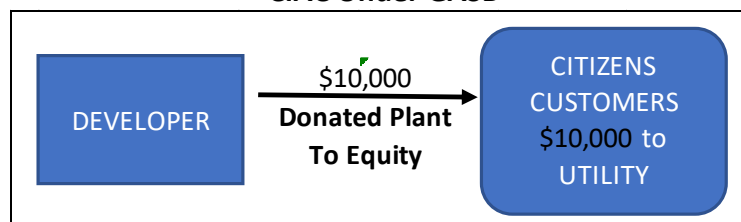


**Customer Liability is Maintained Under IOU to IOU Acquisition**

### **GASB Accounting**

Under GASB donated or contributed plant is treated differently than under NARUC. GASB does not allow the Municipality to record a liability to itself or in this case CIAC. This is because the Municipality owns the utility and the customers are typically citizens or a form of owner of the utility. When a municipal or non-profit utility receives donated plant or contributions in which the value was known they credit equity rather than a liability. In other words, the donated or contributed plant becomes unencumbered assets owned by the municipal utility. If the donated plant value is not known no entry or recognition of the donation will be recorded. GASB 33 and 34 require all plant donations and contributions to be recorded as equity. GASB has one exception to this rule and that is if the Municipal Utility is regulated by the state, then the state regulations will impact accounting and whether they are required to follow NARUC. Diagram 2 below shows the two-party relationship of CIAC under GASB.

**Diagram 2**  
**CIAC Under GASB**



**Customer Liability (or CIAC) is Not Allowed**

This GASB accounting requirement explains why PRC was not able to identify the donated plant on the City's books. The next section goes into the background of the transaction that resulted



in this Report. The PRC acquisition is somewhat unique in that it involves both NARUC and GASB accounting rules.

### **Background of the Donated Plant (CIAC)**

#### ***The Transaction and PSC Approval***

The parent company of PUI formed PRC to purchase certain wastewater collection system assets owned by the City of Columbia which served approximately 11,230 customers in an area adjacent to the Palmetto service area and outside the City's corporate limits. At the time of the asset purchase, the City of Columbia sewer system was one of the largest in the state and was under an EPA consent decree that imposed a timeline to make significant and costly upgrades to its wastewater treatment plants over an extended period.

On June 6, 2012 PRC and the City entered into an Asset Purchase Agreement (APA). On July 6, 2012 PRC filed an application before the Public Service Commission of South Carolina (PSC) requesting a finding that the acquisition was in the public interest and establishing a service area and rates and charges. PRC stated that it would maintain the City's existing rates and within three years move the newly acquired customers off the City's treatment plant to PRC's newly upgraded treatment plant. PRC stated that moving the customers off City treatment to PRC treatment would result in more realizable efficiencies to the customers. Also, PRC argued that the purchase was in the public interest because the City's customers were all located outside the City's corporate limits and they had no control or recourse regarding the rates the City charged. Under PRC ownership, the customers will benefit from PSC regulation which will represent their interests.

The Commission approved the acquisition on December 21, 2012. The Order for the approval can be found Docket No. 2012-273-S, Order No. 2012-960. Ordering paragraph 4 addressed post-acquisition rates:

PRC will continue to charge the affected customers the same monthly service rates and connection charges now imposed by the City unless and until such time as PRC receives approval from the Commission for an adjustment of such charges in a proceeding brought under S.C. Code Ann. 58-5-240 (Supp. 2011) (p.6)

Of particular importance to the subject matter at hand is that the PSC made no finding in its Order as to PRC's cost of service or as to the cost of service of the acquired system and made no commitment that the purchase price would be recoverable in future rates.

The APA provided for the reimbursement of "connection fees" (extension and tap fees or CIAC) collected by the City during the period between the date the APA was signed and after PSC

approval and the closing.<sup>1</sup> In addition, the APA allows both parties access or the ability to make copies of records and documents “solely related to the Assets or the City System” for a period of six years after the closing date,<sup>2</sup> which has now expired.

### **PUI Rate Case and the Issue of Donated Plant**

As discussed above, on July 13, 2017 PRC was merged into PUI<sup>3</sup>. On August 31, 2017 PUI filed a rate increase request to consolidate the PRC and PUI rates in which the rate base included the sewer collection assets acquired from the City of Columbia<sup>4</sup>. The rate request included the consolidation of PRC rates, which were formally the City’s rates, with PUI’s existing rates. Except for the previously mentioned connection fees provided during the closing, PUI did not recognize any CIAC associated with assets acquired from the City. PUI relied upon an original cost study to value these assets because “the information [received from the City] in general was not very usable.”<sup>5</sup>

NARUC allows for estimates of original cost values when there are no records or cost documentation available. Original costs studies are typically used to estimate acquired plant original cost values. However, in the rate proceeding the ORS did not agree with PUI’s recording of the PRC assets. Mr. Willie Morgan’s Direct Testimony summarizes the ORS’s conclusion as follows:

ORS does not dispute the Company's use of an estimate for the original cost of plant. However, the Company did not determine and record the utility assets that were originally contributed to the City of Columbia by developers or home builders. ORS is aware that many of the utility assets associated with pipeline and taps in the former PRC service territory were donated to the City of Columbia after construction by developers or individual builders.

Mr. Morgan’s testimony goes on to state:

To support ORS's position that the utility assets acquired from the City of Columbia may have been contributed, Exhibit WJM-I includes copies of eight (8) deeds filed by PRC in its Application to establish service territory and rates filed in Docket No. 2012-273-S. These documents demonstrate the City of Columbia received donations of utility assets from builders such as Centex Homes, Fairways Development General Partnership, The Mungo Company, Richland County, Brickyard-Longtown, LLC, North Crossing, Inc., and Pine Springs, Inc. It does not

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<sup>1</sup> Section V – Agreements Through Closing part 5.1(h) of the Asset Purchase Agreement

<sup>2</sup> Section IX – Covenants After Closing part 9.1 Records and Documents of the Asset Purchase Agreement

<sup>3</sup> 2017-105-S; Joint Application of Palmetto of Richland County, LLC and Palmetto Utilities, Incorporated for Approval of Merger (Ref: Ni Pacolet Milliken Utilities, LLC)

<sup>4</sup> See Docket No. 2017-228-S.

<sup>5</sup> PUI response to ORS Request No. 2, question 2.

appear the City of Columbia paid more than one dollar for many of the utility assets that it sold to PRC.<sup>6</sup>

### **Analysis Results**

As indicated in the Introduction of this report, our analysis focused on four primary tasks. We will address each task as listed above and the results of our investigation.

#### **Task 1: The identification and determinization of the value of the assets donated to the City that were sold to PRC**

We requested and obtained the accounting entry that was made by the City to record the sale of the collection system to PRC. From the accounting entry, we surmised that all but about \$1.29 million of the net plant purchased was either donated or contributed to the City. Therefore, we estimate that \$16.71 million of the \$18 million purchase price is most likely donated. This amount is derived by taking the PUI Original Cost Study (OCS) <sup>7</sup>value of \$18 million for the total plant purchased and deducting the \$1.29 million of plant book values known to be non-contributed. We believe the reason the City did not have book values for the \$16.71 million in plant is that it was most likely donated through the transfer of deeds from developers to the City<sup>8</sup>.

As discussed above, PRC indicated that most of the information provided by the City was not very usable. Thus, assuming the PUI OCS value of \$18 million is correct, the City's accounting entry valuing and identifying (or listing) the non-contributed plant (or the plant purchased/built and booked by the City) we believe about \$16.71 million could be considered as donated and/or contributed property. This includes \$14.34 million of plant valued in the original cost study that does not have any documentation or values assigned by the City. Of course, this assumes the plant values provided in the City's accounting entry match the values in the Original Cost Study which is highly unlikely. We could not locate and match the plant identified in the City's entry to the items listed in the OCS values addressed later in this report.

#### **Task 2: Review the PRC-City transaction for conformity with National Association of Regulatory Utility Commissioners (NARUC) accounting Standards**

It should be noted that typically NARUC rules are only applied to for-profit IOUs in as much as NARUC is composed primarily of regulatory commissioners throughout the country, the rules are "recommended to the Commissions represented by the membership of this Association", (unnumbered page after the cover page), and the rules repeatedly refer to "Commissions"

<sup>6</sup> Docket No. 2017-228-S, Palmetto Utilities, Inc., Direct Testimony of Mr. Willie Morgan P.E. page 6, lines 6-20

<sup>7</sup> ORS Request #2, 2019-02-28, No. 4

<sup>8</sup> The City's accounting entry indicates a gain of \$13.4 million however, the entry excludes the \$1.3 million "Escrow Holdback Amount" required by the Asset Purchase Agreement, for a total purchase price of \$18 million, deposited before the final closing.

A review of PRC or PUI's accounting entry indicates it complies with NARUC assuming: 1) there is no donated plant; and 2) the original cost study has been accepted by the Commission. However, as we discussed in Task 1 above we believe there is more donated plant than the amounts received for just tap and extension fees. Also, as discussed in Task 3 below, we believe the original cost study over values the net plant by about \$2.60 million or the total net plant purchased should have an original cost closer to \$15.4 million rather than the \$18 million proposed by PUI. However, the accounting entry below assumes the OCS value of \$18 million, a CIAC value of \$16.71 and an Acquisition Adjustment of \$16.71 million<sup>9</sup>. The accounting entries according to NARUC are summarized<sup>10</sup> in Diagram 3 below.

**Diagram 3**  
**Summary Accounting Entries Per NARUC**  
*(In Millions)*

	DR	CR
Net Plant	\$18.00	
Acquisition Adjustment	\$16.71	
Net CIAC		\$16.71
Cash and/or Debt		\$18.00
	<u>34.71</u>	<u>34.71</u>

It should be noted that this entry assumes that all the plant donated to the City should be recognized as CIAC.

**Task 3:       Review any supporting records, documents and a valuation study prepared for PUI**

We reviewed the continuing property records (CPR) provided on Excel spreadsheets provided by ORS for the PRC plant. The CPR records included the values determined by the OCS conducted to value the assets purchased from the City. In addition, the ORS provided supporting plant documentation and invoices used in preparing the replacement cost new study which is the starting point of the OCS. The CPR data provided appeared to be in order and in compliance with NARUC standards with one exception regarding the tap and extension fees discussed below in Task 4.

Before we discuss our review of the PUI OCS, it is important to understand what constitutes an OCS. An OCS is an accepted computational process using reliable and accepted procedures, used to determine original cost and accumulated depreciation absent reliable records. The resulting

<sup>9</sup> Purchase Price of \$18 million less the book value of \$1.29 million of net plant purchased/built by the City or non-CIAC plant.

<sup>10</sup> NARUC requires these entries to be made in the greatest detail available which includes accumulated depreciation, accumulated CIAC amortization, etc. See NARUC Accounting Instruction No. 21.

reliable values of the various utility plant items reflect the different “in service” dates which are reasonable proxies for the original cost values. If the value of an item is known at any point in time, trending indices can be used to estimate its value at any other point in time. An OCS begins with the replacement cost of each plant item at a point in time. The next step is to apply industry accepted trending indices to the time the item was first installed or began providing utility service. The computed index factor is then applied to the replacement cost value of a plant item to derive a value at the time of installation. This value is used as a proxy or substitute for original cost.

As discussed above, an OCS is made when original cost plant records are non-existent or unreliable. The best and most reliable index to use in an OCS is the Handy-Whitman Index because utility regulators and the industry routinely accept it. Whitman, Requardt, and Associates from Baltimore, Maryland prepare the Handy-Whitman Index for six different geographical regions of the United States and has been reporting annual values since 1912 and bi-annual values for each year since 1973. Access to the Handy-Whitman Index is through a copyrighted subscription service available at: [www.wrallp.com/about-us/handy-whitman-index](http://www.wrallp.com/about-us/handy-whitman-index)

We have concerns with the OCS primarily because it applies CPI indices that are applicable to non-utility costs rather than industry acceptable Handy Whitman Indices (HWI) specific to utilities. As discussed in Task 2 above we applied the HWI and computed a net plant original cost values of around \$15.6 million or about \$2.6 million lower than the value determined in the PUI OCS.

**Task 4: Identify and confirm the accuracy of PUI accounting records related to the post acquisition of donated plant and extensions as well as pre and post-acquisition tap and expansion fees.**

We reviewed the post-acquisition backup of numerous non-cash plant donations and their recording in the Company’s CPR for the years 2013 through the first quarter of 2017. With exception to extension fee contracts the accuracy of the accounting treatment recording the non-cash donated plant appears to be correct and in conformity with NARUC. We could not locate references or values of the extension fee contracts to the CPR.

As we discussed earlier, we obtained the accounting entry made by the City to record the sale of the PRC plant. The accounting entry included backup that detailed \$333,460 in tap and extension fees collected from customers from the date the APA was signed until PSC approval and the closing. A review of the accounting entries made by PUI to record the asset purchase correctly recorded the \$333,460 to CIAC.

However, after the 2013 closing, tap and expansion fees were booked to revenues this is generally acceptable for taps, but inappropriate for expansion fees. The City Tariff adopted by PUI for the PRC service territory and authorized by the Commission specifically states, “In addition to the sewer service connection charge” (i.e. Tap Fee), “a plant expansion fee must be

paid at the time application for service is made". The additional expansion fee of \$2,640 is not a tap fee and should not be recorded as revenue. The tariff explains the expansion fee is "to offset the cost of constructing ***increased capacity or capital expenditures***" (emphasis added). Clearly cash payments made by customers to fund plant capacity additions are defined by NARUC as CIAC not tap fee revenues. Diagram 4 below Summarizes the Expansion Fees billed by PUI for the period starting the month after the closing or 4/2013 through the last PUI rate case or 8/2017.

**Diagram 4**  
**Summary of Connection Fees Billed 4/2013-8/2017**

	No. of Connections Made	Expansion Fee Charged & Booked	Treatment Plant CIAC
<b><u>Known Expansion Fees</u></b>			
Post Closing 4/2013 - 12/2013	95	\$2,640	\$250,800
2014	159	\$2,640	\$419,760
2015	121	\$2,640	\$319,440
2016	184	\$2,640	\$485,760
1/2017 - 8/2017	136	\$2,640	\$359,040
Total			\$1,834,800
<b><u>Expansion Fees Unknown</u></b>			
7/2013 Sparkle Car Wash			\$30,576
3/2012 Clemson Road Assisted Living			\$100,328
4/2017 Columbia IL Investors LLC			\$115,454

In addition, there were three amounts charged to revenue in which the expansion fee charges could not be determined as detailed in Diagram 4 above.

### **Observation**

The circumstances of this type of transaction are becoming increasingly common throughout the United States. Many municipalities are experiencing difficulties operating and maintaining the infrastructure of their systems. As a result, many have sold their systems to private operators. In fact, several states have adopted legislation that allows IOUs to recover through rates the fair market value for acquired municipal water systems.

California's fair value statute is a good example. It is limited to consolidations of water utilities. Nevertheless, the California model could be easily applied to wastewater. California's Public Water System Investment and Consolidation Act of 1997 itemizes the challenges that consolidations of systems can solve:

- Public water systems are faced with the need to replace or upgrade the public water system infrastructure to meet increasingly stringent state and federal safe drinking water laws and regulations governing fire flow standards for public fire protection.
- Increasing amounts of capital are required to finance the necessary investment in public water system infrastructure.
- Scale economies are achievable in the operation of public water systems.
- Providing water corporations with an incentive to achieve these scale economies will provide benefits to ratepayers.

The California commission is required to use the standard of fair market value when establishing the rate base value for the distribution system of a public water system acquired by a water corporation. If the fair market value exceeds reproduction cost, the commission would be permitted to include the difference in the rate base for rate setting purposes if it finds that the additional amounts are fair and reasonable.<sup>11</sup>

Similar legislation exists in Missouri, Illinois, Indiana, Pennsylvania and New Jersey. Texas recently passed fair value legislation relating to water utilities.

### **Recommendations**

It is our understanding that PUI is planning to file a rate request after this report has been issued. Thus, our recommendations focus on what issues should be addressed in the upcoming case.

***Recommendation 1:*** All expansion fees charged to revenues since the acquisition of PRC should be recorded as CIAC, otherwise PUI should provide evidence to support why their methodology is reasonable. Also, provide support demonstrating how extension contracts are booked to “cash CIAC”.

As observed in our discussion in Task 4 above, expansion fees clearly relate to the offsetting of capital costs to maintain and/or expand treatment plant capacity. Thus, these fees should be recorded as CIAC and amortized over the life of the sewer treatment plant. PUI has recorded almost \$2 million of these fees to revenues while offsetting capital costs have been booked to the recently built sewer treatment plant. The expansion fees ultimately ended up in PUI’s equity account. Thus, the next rate case filed by PUI should clearly show an adjustment moving all expansion fees booked to revenues from equity to CIAC. Otherwise, PUI should provide proof

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<sup>11</sup> California Public Utilities Code, Section 2718

why booking expansion fees to revenue is appropriate. In addition, a method for tracking extension contract expenditures should be developed and demonstrated.

**Recommendation 2:** Amend the Original Cost Study. The Original Cost Study should be amended to: **a.** Reflect the book values detailed in the city's accounting entry. **b.** Replace computed trended values with plant replacements since the last rate filing. **c.** Apply Handy-Whitman Indices to the remaining RCN plant values.

This will allow PUI to update its OCS to reflect known original cost values, new investment and apply the appropriate industry accepted indices to compute a reasonable estimate for original cost attributed to the City assets.

**Recommendation 3:** PRC Donated Plant in Rate Base

Given the circumstances of PUI's last rate case, the ORS made the correct decision to follow case law and exclude the donated plant purchased by PRC. However, PUI did not have an opportunity to defend why the donated plant should be included in rate base whether from a rate making perspective or public interest perspective.

It is important for all parties to understand the significance of the Commission's decision on this matter. It will have a direct impact on future IOU acquisitions of municipal utilities. As discussed earlier, municipal utilities across the country are increasingly privatizing their water and sewer utilities and the circumstance surrounding this case should be carefully examined. Toward that end, the following questions need to be answered to assist the Commission in making a reasonable decision.

- *Should the City's accounting treatment override the rate making practice of removing of donated plant from rate base prevalent in the Public Service Commission of South Carolina case law?*
- *Does the exclusion of donated plant unfairly apply NARUC principles retroactively?*
- *Is it cost free capital if PUI paid for unencumbered assets legally owned by the City?*
- *Would including the donated plant in rate base result in the customers paying twice?*
- *What is the financial impact on PUI of not allowing the donated plant in rate base and is it in the public interest?*
- *Regarding the public interest; Did the PUI purchase help ease the cost and burden of the EPA consent decree on the City? If so, can it be quantified?*
- *How should the Commission's decision impact future acquisitions between IOUs and municipalities?*

In addition to the above questions, all parties should consider a reasonable solution that does not create a future disincentive for IOU's to purchase municipal assets. One such solution maybe to allow PUI recovery only of the donated plant in rates. In other words, a return **of** but not **on**.



This could be achieved by excluding the negative amortization of the CIAC (used to offset depreciation) from the revenue requirement calculation. There are some states that allow the exclusion of negative amortization to recognize that the donated plant will ultimately need to be replaced by the IOU. In addition, the exclusion of negative amortization helps to reduce rate shock and increase cash flow, which is important for servicing debt and plant replacements.

### **Conclusion**

We conclude that PUI is recording non-cash donated plant accurately and in accordance with NARUC. This report addresses the misapplication of almost \$2 million in CIAC receipts as revenue and recommends a closer review and analysis of the booking of extension contract costs. The OCS presented by PUI in support of the PRC plant values should be updated to reflect the known values reflected in the information by the City during our analysis. Also, the OCS should be updated to reflect utility appropriate indices, plant retirements and additions made through the test year of its next rate case. Our analysis indicates that the clear majority of the PRC plant purchased by PUI from the City was donated by developers. This finding should be addressed by PUI in their upcoming rate case by supporting the reasonableness of recovering the original cost values of the PRC donated plant in rates or thru some other reasonable alternative rate methodology. Most importantly, great care should be taken when litigating this issue since the Commission's final decision has the potential to lay the ground work for any future cases similar in nature and/or legislation that may be needed to advance the public interest.

DEVELOP AMORTIZATION OF EXPANSION CIAC

		In Service Months		Treatment	
		Through TY *	Pipeline CIAC	Plant CIAC	Total
1	CIAC Up Through Mid 2017 in Service Year	22	(\$1,612,193)	(\$839,759)	(\$2,451,953)
2	CIAC Up Through Mid 2018 in Service Year	14	(\$90,264)	(\$47,016)	(\$137,280)
3	CIAC Up Through Mid 2019 through TY	5	(\$36,453)	(\$18,987)	(\$55,440)
4	Amortization Rate (based on plant depreciation rate)		2.22%	5.56%	
5	Accumulated Amortization 2017		\$65,682	\$85,531	\$151,213
6	In Service Months		22	22	
7	Accumulated Amortization 2018		\$2,340	\$3,047	\$5,388
8	In Service Months		14	14	
9	Accumulated Amortization 2019		\$338	\$440	\$777
10	In Service Months		5	5	
<b>Net CIAC</b>					
	Vintage 2017		(\$1,546,511)	(\$754,228)	(\$2,300,740)
	Vintage 2018		(\$87,923)	(\$43,969)	(\$131,892)
	Vintage 2019		(\$36,115)	(\$18,548)	(\$54,663)
	Total Rate Base Impact		<b>(\$1,670,550)</b>	<b>(\$816,745)</b>	<b>(\$2,487,295)</b>

	In Service Months *		
	Through 2017	2018	2019
2017	2		
2018	12	6	
2019	8	8	5
	22	14	5
Pipeline			\$30,154,313
Spears Plant Upgrade			\$15,706,780
Total			<b>\$45,861,093</b>

\* Assumes Half Year in service date. On 10/17/2017 waste transfer started to Spears Creek Treatment via pipeline per ORS Request 9.5 #

PALMETTO UTILITIES INC. ORIGINAL COST STUDY  
Net Plant in Service as of 2/28/13

Line No.	NARUC Account	System/Inventory No.	(b)	Subaccount	(c)	In-Service Date	Reproduction Cost New	(e)	Age at 2/28/13 (Yrs.)	(f)	Service Life (g)	Index Used	(h)	In Service Index Value	(i)	2/28/13 Index Value at (i)	Original Cost k) = (e) x (i) / (f)	Annual Depr. Exp. (l) = (k) / (g)	Reserve Balance (m) = (f) x (i) / (g)	Net Value (n) = (k) - (m)
1	360.2	208-14C, 20814-B		PVC - 21/2" to 30"		2/1/95	3,400	18.1	3,400	18.1	30.0	38					1,724	57	1,039	685
2	360.2	276-02, 276-02A, 276-02J, 276-02K, 276-02L		PVC - 21/2" to 30"		10/1/05	1,040	7.4	1,040	7.4	30.0	38					872	29	215	657
3	360.2	276-02, 276-02B, 276-02J, 276-02K, 276-02L		PVC - 21/2" to 30"		10/1/05	3,340	7.4	3,340	7.4	30.0	38					2,801	93	692	2,109
4	360.2	235-16C		PVC - 21/2" to 30"		10/1/06	5,610	6.4	3,960	6.4	30.0	38					5,432	181	1,161	4,271
5	360.2	222-03		DIP - 4" to 16"		10/1/95	39,960	17.4	39,960	17.4	30.0	35					17,084	569	9,916	7,168
6	360.2	288-02		DIP - 4" to 16"		1/1/07	39,960	6.2	39,960	6.2	30.0	35					27,719	907	5,589	21,630
7	360.2	109-16R2		DIP - 4" to 16"		4/1/11	235,656	1.9	338.5	1.9	30.0	35					203,552	6,785	12,985	190,567
8	361.2	60-31C, 18-18B, 54-21J, 102-03 (R-2), 118-16A, 54-21K4(R-1)		DIP - 8" to 24"		9/1/74	1,862	38.5	1,862	38.5	45.0	35					389	9	332	56
9	361.2	107-22R, 107-22A		DIP - 8" to 24"		2/1/80	1,560	33.1	702	27.9	45.0	35					461	10	339	122
10	361.2	138-08B, 130-08R		DIP - 8" to 24"		4/1/85	2,808	26.9	2,808	26.9	45.0	35					1,005	22	601	98
11	361.2	141-18, 141-18A		DIP - 8" to 24"		9/1/87	6,357	25.5	17,511	25.5	45.0	35					2,331	52	1,321	1,010
12	361.2	151-17		DIP - 8" to 24"		9/1/87	430,514	25.5	430,514	25.5	45.0	35					157,855	3,508	89,433	68,422
13	361.2	60-31A, 142-07B, 142-07J, 213-05		DIP - 8" to 24"		9/1/87	1,980	24.7	1,980	24.7	45.0	35					760	17	417	344
14	361.2	60-31A, 142-07B, 142-07J, 213-05		DIP - 8" to 24"		7/1/88	62,400	24.7	62,400	24.7	45.0	35					23,965	533	13,134	10,831
15	361.2	154-07		DIP - 8" to 24"		7/1/88	7,535	23.8	7,535	23.8	45.0	35					3,036	67	1,608	1,428
16	361.2	154-07		DIP - 8" to 24"		5/1/89	4,875	23.7	4,875	23.7	45.0	35					1,964	44	1,033	931
17	361.2	163-21, 163-21(R-1), 163-21A		DIP - 8" to 24"		7/1/89	4,914	23.2	4,914	23.2	45.0	35					2,008	45	1,037	971
18	361.2	169-15, 169-15A, 169-15B		DIP - 8" to 24"		12/1/89	2,106	21.0	2,106	21.0	45.0	35					858	19	400	457
19	361.2	184-08		DIP - 8" to 24"		3/1/92	702	19.8	702	19.8	45.0	35					295	7	130	165
20	361.2	199-01(R-1), 211-07		DIP - 8" to 24"		5/1/93	24,336	18.6	24,336	18.6	45.0	35					10,510	234	4,339	6,171
21	361.2	209-14A, 209-14B		DIP - 8" to 24"		8/1/94	3,120	18.4	3,120	18.4	45.0	35					1,366	30	559	807
22	361.2	199-12		DIP - 8" to 24"		10/1/94	2,106	18.1	2,106	18.1	45.0	35					922	20	370	552
23	361.2	208-14C, 20814-B		DIP - 8" to 24"		2/1/95	74,139	17.7	74,139	17.7	45.0	35					31,160	692	12,289	18,871
24	361.2	212-18(R-1), 212-18A, 212-18, 212-18C		DIP - 8" to 24"		6/1/95	8,229	17.7	8,229	17.7	45.0	35					3,459	77	1,358	2,101
25	361.2	212-18(R-1), 212-18A, 212-18, 212-18C		DIP - 8" to 24"		7/1/95	2,808	17.3	2,808	17.3	45.0	35					1,201	27	462	738
26	361.2	145-16, 145-16F		DIP - 8" to 24"		11/1/95	10,023	16.8	10,023	16.8	45.0	35					4,314	96	1,613	2,701
27	361.2	215-12		DIP - 8" to 24"		5/1/96	4,485	18.6	4,485	18.6	45.0	35					1,931	43	711	1,219
28	361.2	222-02		DIP - 8" to 24"		8/1/96	3,900	14.7	3,900	14.7	45.0	35					1,752	39	574	1,178
29	361.2	202-25B, 202-25, 202-25A,		DIP - 8" to 24"		6/1/98	11,700	14.2	11,700	14.2	45.0	35					5,341	119	1,691	3,650
30	361.2	309-23A, 175-05, 285-08C(R-0), 234-21		DIP - 8" to 24"		12/1/98	702	14.1	702	14.1	45.0	35					320	7	100	220
31	361.2	179-12C, 179-12, 179-12B, 179-12G		DIP - 8" to 24"		2/1/99	780	13.8	780	13.8	45.0	35					356	8	109	247
32	361.2	242-17A		DIP - 8" to 24"		5/1/99	11,778	13.5	11,778	13.5	45.0	35					5,377	119	1,612	3,764
33	361.2	238-07		DIP - 8" to 24"		9/1/99	5,733	13.1	5,733	13.1	45.0	35					2,659	59	773	1,886
34	361.2	233-10		DIP - 8" to 24"		2/1/00	3,900	12.7	3,900	12.7	45.0	35					1,865	41	528	1,337
35	361.2	240-05, 240-05A		DIP - 8" to 24"		6/1/00	4,953	12.6	4,953	12.6	45.0	35					2,369	53	662	1,707
36	361.2	243-14A, 243-14		DIP - 8" to 24"		8/1/00	18,179	12.2	18,179	12.2	45.0	35					8,773	195	2,387	6,386
37	361.2	238-07		DIP - 8" to 24"		12/1/00	18,993	12.2	18,993	12.2	45.0	35					9,166	204	2,477	6,690
38	361.2	175-02V		DIP - 8" to 24"		1/1/01	702	10.2	702	10.2	45.0	35					365	8	83	282
39	361.2	208-08, 245-07A, 245-07		DIP - 8" to 24"		12/1/02	13,068	10.2	13,068	10.2	45.0	35					6,799	151	1,548	5,251
40	361.2	255-12, 255-12A, 255-12L, 255-12J, 290-01, 87-01, 288-18		DIP - 8" to 24"		12/1/02	19,110	10.2	19,110	10.2	45.0	35					9,943	221	2,264	7,679
41	361.2	255-12, 255-12A, 255-12L, 255-12J, 290-01, 87-01, 288-18		DIP - 8" to 24"		12/1/02	24,414	10.2	24,414	10.2	45.0	35					12,702	282	2,892	9,810
42	361.2	255-12, 255-12A, 255-12L, 255-12J, 290-01, 87-01, 288-18		DIP - 8" to 24"		12/1/02	46,326	10.2	46,326	10.2	45.0	35					24,103	536	5,487	18,615
43	361.2	145-16, 145-16A, 145-16B, 124-21(R-1), 122-09(R-1), 87-17		DIP - 8" to 24"		12/1/02	6,318	9.7	6,318	9.7	45.0	35					3,360	72	706	2,554
44	361.2	255-12, 255-12A, 255-12L, 255-12J, 290-01, 87-01, 288-18		DIP - 8" to 24"		6/1/03	2,268	9.3	2,268	9.3	45.0	35					1,210	27	251	959
45	361.2	266-18, 266-18A		DIP - 8" to 24"		11/1/03	4,361	9.3	4,361	9.3	45.0	35					2,326	52	482	1,844
46	361.2	193-20C, 193-20F, 193-20G, 193-20H, 193-20A		DIP - 8" to 24"		11/1/03	12,480	9.3	12,480	9.3	45.0	35					6,656	148	1,380	5,276
47	361.2	193-20C, 193-20F, 193-20G, 193-20H, 193-20A		DIP - 8" to 24"		2/1/04	64,077	9.1	64,077	9.1	45.0	35					34,174	759	6,893	27,282
48	361.2	193-20C, 193-20F, 193-20G, 193-20H, 193-20A		DIP - 8" to 24"		5/1/05	8,148	7.8	8,148	7.8	45.0	35					4,664	104	812	3,853
49	361.2	280-11		DIP - 8" to 24"		5/1/05	11,700	7.8	11,700	7.8	45.0	35					6,698	149	1,165	5,532
50	361.2	255-12C		DIP - 8" to 24"		10/1/05	40,523	7.4	40,523	7.4	45.0	35					24,842	552	4,091	20,751
51	361.2	255-12C		DIP - 8" to 24"		10/1/05	85,332	7.4	85,332	7.4	45.0	35					52,312	1,162	8,616	43,697
52	361.2	276-02, 276-02H, 276-02J, 276-02K, 276-02L		DIP - 8" to 24"		11/1/06	17,472	7.3	17,472	7.3	45.0	35					10,711	238	1,744	8,967
53	361.2	276-02, 276-02D, 276-02J, 276-02K, 276-02L		DIP - 8" to 24"		11/1/06	43,212	6.4	43,212	6.4	45.0	35					29,434	654	4,194	25,240
54	361.2	235-16C		DIP - 8" to 24"		1/1/07	6,864	5.7	6,864	5.7	45.0	35					24,520	545	3,448	21,072
55	361.2	195-16		DIP - 8" to 24"		11/1/07	11,934	5.4	11,934	5.4	45.0	35					4,704	105	592	4,112
56	361.2	276-07A		DIP - 8" to 24"		10/1/07	1,755	4.4	1,755	4.4	45.0	35					8,492	189	1,021	7,471
57	361.2	276-07A		DIP - 8" to 24"		10/1/08	3,960	4.3	3,960	4.3	45.0	35					1,450	32	142	1,308
58	361.2	209-1R, 228-13, 295-16, 266-18B, 174-03		DIP - 4" to 30"		11/1/08	337,150	42.4	337,150	42.4	45.0	35					31,996	711	30,156	1,840
59	361.2	271-18		DIP - 4" to 30"		9/1/74	20,565	38.5	20,565	38.5	45.0	38					1,482	33	1,267	214
60	361.2	136-08, 43-208		PVC - 4" to 30"		9/1/74	144,194	38.5	144,194	38.5	45.0	38					103,889	231	8,887	1,502
61	361.2	60-31C, 18-18B, 54-21J, 102-03 (R-2), 118-16A, 54-21K4(R-1)		PVC - 4" to 30"		9/1/74	154,697	38.5	154,697	38.5	45.0	38					111,45	248	9,534	1,611
62	361.2	60-31C, 18-18B, 54-21J, 102-03 (R-2), 118-16A, 54-21K4(R-1)		PVC - 4" to 30"		9/1/74	243,810	38.5	243,810	38.5	45.0	38					175,66	390	15,026	2,540
63	361.2	60-31C, 18-18B, 54-21J, 102-03 (R-2), 118-16A, 54-21K4(R-1)		PVC - 4" to 30"		9/1/74	451,328	38.5	451,328	38.5	45.0	38					325,16	723	27,815	4,701
64	361.2	60-31C, 18-18B, 54																		

PALMETTO UTILITIES INC. ORIGINAL COST STUDY  
Net Plant in Service as of 2/28/13

Line No.	NARUC Account	System/Inventory No.	(a)	(b)	(c)	In-Service Date	Reproduction Cost New	Age at 2/28/13 (Yrs.)	Service Life (yrs.)	Index (h)	In Service Index Value (i)	Index Value at 2/28/13 (j)	Original Cost k)=(e)×(i)/(j)	Annual Depr. Exp. (l)=(k)/(g)	Reserve Balance (m)=(k)-(l)×(n)	Net Value (n)=(k)-(l)×(m)
72	361.2	36-278, 36-22A, 100-20(R-5)			PVC -4" to 30"	2/1/80	20,800	33.1	45.0	38			7852	174	5,772	2,081
73	361.2	36-278, 36-22A, 100-20(R-5)			PVC -4" to 30"	2/1/80	45,920	33.1	45.0	38			17,336	385	12,742	4,594
74	361.2	107-22R, 107-22A			PVC -4" to 30"	2/1/80	93,300	33.1	45.0	38			35,223	783	25,889	9,333
75	361.2	36-278, 36-22A, 100-20(R-5)			PVC -4" to 30"	2/1/80	236,100	33.1	45.0	38			89,133	1,981	65,515	23,618
76	361.2	109-16R2			PVC -4" to 30"	4/1/81	79,290	31.9	45.0	38			31,533	701	22,362	9,171
77	361.2	109-16R2			PVC -4" to 30"	4/1/81	166,624	31.9	45.0	38			66,265	1,473	46,993	19,272
78	361.2	109-16R2			PVC -4" to 30"	4/1/81	271,654	31.9	45.0	38			108,035	2,401	76,615	31,421
79	361.2	138-08B, 130-08R			PVC -4" to 30"	4/1/85	111,870	27.9	45.0	38			46,424	1,032	28,796	17,629
80	361.2	128-19			PVC -4" to 30"	12/1/85	324,300	27.2	45.0	38			134,580	2,991	81,479	53,101
81	361.2	141-18, 141-18A			PVC -4" to 30"	4/1/86	324,390	26.9	45.0	38			132,747	2,950	79,392	53,355
82	361.2	145-17			PVC -4" to 30"	9/1/86	142,650	26.5	45.0	38			58,376	1,297	34,369	24,006
83	361.2	156-15			PVC -4" to 30"	3/1/87	87,780	26.0	45.0	38			37,945	843	21,923	16,022
84	361.2	151-17			PVC -4" to 30"	9/1/87	105,300	25.5	45.0	38			45,519	1,012	25,789	19,730
85	361.2	60-31A, 142-07B, 142-07, 213-05			PVC -4" to 30"	9/1/87	491,430	25.5	45.0	38			212,434	4,721	120,355	92,079
86	361.2	60-31A, 142-07B, 142-07, 213-05			PVC -4" to 30"	9/1/87	528,220	25.5	45.0	38			228,337	5,074	129,365	96,972
87	361.2	154-07			PVC -4" to 30"	7/1/88	103,380	24.7	45.0	38			54,520	1,212	29,880	24,640
88	361.2	154-07			PVC -4" to 30"	7/1/88	171,444	24.7	45.0	38			90,416	2,009	49,553	40,863
89	361.2	167-29, 167-25A			PVC -4" to 30"	5/1/89	6,000	23.8	45.0	38			3,562	79	1,886	1,676
90	361.2	167-29, 167-25A			PVC -4" to 30"	5/1/89	36,567	23.8	45.0	38			21,708	482	11,496	10,212
91	361.2	167-29, 167-25A			PVC -4" to 30"	5/1/89	112,938	23.8	45.0	38			67,047	1,490	35,505	31,541
92	361.2	RC-145-16C			PVC -4" to 30"	6/1/89	128,190	23.7	45.0	38			76,101	1,691	40,157	35,945
93	361.2	163-21, 163-21(R-1), 163-21A			PVC -4" to 30"	7/1/89	154,680	23.7	45.0	38			91,927	2,041	48,287	43,540
94	361.2	169-15, 169-15A, 169-15B			PVC -4" to 30"	12/1/89	144,120	23.2	45.0	38			84,728	1,883	43,765	40,962
95	361.2	200-37			PVC -4" to 30"	8/1/91	17,280	21.6	45.0	38			9,412	209	4,513	4,898
96	361.2	169-06, 169-06A-F, 169-06E, 169-06G, 169-06-I, 169-06M, 169-06N, 169=06O			PVC -4" to 30"	2/1/92	67,830	21.1	45.0	38			31,667	704	14,831	16,836
97	361.2	169-06, 169-06A-F, 169-06E, 169-06G, 169-06-I, 169-06M, 169-06N, 169=06O			PVC -4" to 30"	2/1/92	1,001,430	21.1	45.0	38			467,526	10,389	218,968	248,558
98	361.2	184-08			PVC -4" to 30"	3/1/92	1,830	21.0	45.0	38			854	19	399	456
99	361.2	192-22			PVC -4" to 30"	6/1/92	23,250	20.7	45.0	38			10,921	243	5,035	5,887
100	361.2	BLOCKS (1078,1080,0832,0834,0836,			PVC -4" to 30"	7/1/92	1,706,700	20.7	45.0	38			801,706	17,816	368,118	433,588
101	361.2	193-20B, 193-20D			PVC -4" to 30"	2/1/93	311,880	20.1	45.0	38			149,099	3,316	66,556	82,643
102	361.2	157-14			PVC -4" to 30"	3/1/93	123,840	20.0	45.0	38			59,243	1,317	26,327	32,917
103	361.2	199-01(R-1), 211-07			PVC -4" to 30"	5/1/93	33,480	19.8	45.0	38			17,078	380	7,552	9,552
104	361.2	189-16, 189-16A			PVC -4" to 30"	1/1/94	57,360	19.2	45.0	38			27,936	621	11,894	16,042
105	361.2	209-14A, 209-14B			PVC -4" to 30"	8/1/94	308,850	18.6	45.0	38			145,969	3,244	60,266	85,703
106	361.2	199-12			PVC -4" to 30"	10/1/94	125,760	18.4	45.0	38			63,786	1,417	26,098	37,688
107	361.2	209-19			PVC -4" to 30"	12/1/94	182,160	18.2	45.0	38			92,992	2,053	37,460	54,932
108	361.2	208-14C, 20814-B			PVC -4" to 30"	2/1/95	133,110	18.1	45.0	38			67,514	1,500	27,119	40,395
109	361.2	206-15			PVC -4" to 30"	5/1/95	28,350	17.8	45.0	38			14,788	329	5,860	8,928
110	361.2	212-18(R-1), 212-18A, 212-18, 212-18C			PVC -4" to 30"	6/1/95	86,478	17.7	45.0	38			45,088	1,002	17,789	27,319
111	361.2	212-18(R-1), 212-18A, 212-18, 212-18C			PVC -4" to 30"	6/1/95	810,900	17.7	45.0	38			422,977	9,399	166,810	256,166
112	361.2	145-16, 145-16F			PVC -4" to 30"	7/1/95	31,840	17.7	45.0	38			16,008	369	6,519	10,089
113	361.2	145-16, 145-16F			PVC -4" to 30"	7/1/95	386,880	17.7	45.0	38			201,802	4,484	79,217	122,585
114	361.2	213-65A, 213-05B			PVC -4" to 30"	8/1/95	365,700	17.6	45.0	38			190,754	4,239	74,520	116,234
115	361.2	211-02, 211-02A, 211-02B			PVC -4" to 30"	9/1/95	235,650	17.5	45.0	38			122,918	2,732	47,788	75,131
116	361.2	215-12			PVC -4" to 30"	1/1/11	123,990	17.3	45.0	38			66,819	1,485	25,729	41,089
117	361.2	213-08, 213-06			PVC -4" to 30"	96/15	22,560	16.8	45.0	38			12,158	270	4,547	7,611
118	361.2	222-02			PVC -4" to 30"	5/1/96	61,290	16.8	45.0	38			33,029	734	12,353	20,677
119	361.2	228-20			PVC -4" to 30"	5/1/96	68,850	16.8	45.0	38			37,004	825	13,876	23,227
120	361.2	175-021			PVC -4" to 30"	5/1/96	143,610	16.8	45.0	38			77,992	1,720	28,944	48,448
121	361.2	202-25B, 202-25, 202-25A,			PVC -4" to 30"	8/1/96	451,020	16.6	45.0	38			243,057	5,401	89,540	153,516
122	361.2	222-09, 222-09D, 222-09C, 222-09B			PVC -4" to 30"	11/1/96	216,510	16.3	45.0	38			117,926	2,621	42,783	75,143
123	361.2	229-2003			PVC -4" to 30"	6/1/97	37,530	15.7	45.0	38			20,766	461	7,266	13,500
124	361.2	236-12			PVC -4" to 30"	7/1/97	9,030	15.7	45.0	38			4,996	111	1,739	3,257
125	361.2	227-21, 227-21A			PVC -4" to 30"	9/1/97	147,240	15.5	45.0	38			81,470	1,810	28,050	53,420
126	361.2	239-19			PVC -4" to 30"	9/1/98	89,820	15.2	45.0	38			49,181	1,093	16,568	32,613
127	361.2	309-23A, 175-05, 285-08C(R-D), 234-21			PVC -4" to 30"	6/1/98	15,456	14.7	45.0	38			8,307	189	2,788	5,720
128	361.2	309-23A, 175-05, 285-08C(R-D), 234-21			PVC -4" to 30"	6/1/98	138,720	14.7	45.0	38			76,356	1,697	25,021	51,335
129	361.2	231-03			PVC -4" to 30"	12/1/98	113,400	14.3	45.0	38			62,746	1,394	19,977	42,769
130	361.2	175-027			PVC -4" to 30"	12/1/98	135,360	14.2	45.0	38			74,897	1,664	23,709	51,188
131	361.2	179-12C, 179-12, 179-12B, 179-12G			PVC -4" to 30"	12/1/12	253,710	14.2	45.0	38			140,381	3,120	44,439	95,943
132	361.2	242-17A			PVC -4" to 30"	2/1/99	187,200	14.1	45.0	38			103,580	2,302	32,398	71,182
133	361.2	248-07			PVC -4" to 30"	9/1/99	159,060	13.6	45.0	38			88,010	1,956	27,052	60,959
134	361.2	242-23A, 243-23D, 242-23			PVC -4" to 30"	9/1/99	179,640	13.6	45.0	38			99,397	2,209	29,995	69,402
135	361.2	233-10			PVC -4" to 30"	9/1/99	30,000	13.5	45.0	38			16,599	369	4,978	11,621
136	361.2	244-10			PVC -4" to 30"	9/1/99	97,980	13.5	45.0	38			54,214	1,205	16,258	37,956
137	361.2	240-05, 240-05A			PVC -4" to 30"	2/1/00	63,510	13.1	45.0	38			36,788	818	10,690	26,098
138	361.2	243-14A, 243-14			PVC -4" to 30"	6/1/00	96,180	12.7	45.0	38			55,712	1,238	15,779	39,934
139	361.2	258-07			PVC -4" to 30"	8/1/00	11,820	12.6	45.0	38			6,847	152	1,914	4,933
140	361.2	175-02V			PVC -4" to 30"	12/1/00	18,420	12.2	45.0	38			11,413	254	3,105	8,308
141	361.2	175-02V			PVC -4" to 30"	12/1/00	30,835	12.2	45.0	38			19,105	425	5,198	13,907
142	361.2	253-02			PVC -4" to 30"	12/1/00	87,510	12.2	45.0	38			54,221	1,205	14,753	39,468

PALMETTO UTILITIES INC. ORIGINAL COST STUDY  
Net Plant in Service as of 2/28/13

Line No.	NARUC (a)	System/Inventory No.	(b)	Subaccount (c)	In-Service Date (d)	Reproduction Cost New (e)	Age at 2/28/13 (f)	Service Life (g)	Index Used (h)	In Service Index Value (i)	Index Value at 2/28/13 (j)	Original Cost k) = (e) x (i) / (j)	Annual Depr. Exp. (l) = (k) / (g)	Reserve Balance (m) = (e) - (l) x (g)	Net Value (n) = (k) - (l) x (m)
143	361.2	208-08, 245-07A, 245-07		PVC - 4" to 30"	1/1/01	232,170	12.2	45.0	38			143,852	3,197	38,868	104,984
144	361.2	255-23		PVC - 4" to 30"	4/1/01	83,580	11.9	45.0	38			5,767	117	1,394	3,872
145	361.2	262-23		PVC - 4" to 30"	7/1/01	176,490	11.7	45.0	38			108,335	2,407	28,079	80,257
146	361.2	263-16		PVC - 4" to 30"	9/1/01	83,640	11.5	45.0	38			51,341	1,141	13,113	38,228
147	361.2	145-16, 145-16A, 145-16B, 124-21(R-1), 122-09(R-1), 87-17		PVC - 4" to 30"	12/1/02	23,188	10.2	45.0	38			15,035	334	3,423	11,612
148	361.2	235-12, 235-12A, 235-12B, 255-12, 255-12L, 250-01, 87-01, 288-18		PVC - 4" to 30"	12/1/02	72,640	10.2	45.0	38			47,001	1,047	10,723	36,378
149	361.2	270-06		PVC - 4" to 30"	12/1/02	98,130	10.2	45.0	38			63,629	1,414	14,486	49,143
150	361.2	255-12, 255-12A, 255-12L, 255-12J, 290-01, 87-01, 288-18		PVC - 4" to 30"	12/1/02	200,130	10.2	45.0	38			129,767	2,884	29,544	100,223
151	361.2	255-12, 255-12A, 255-12L, 255-12J, 290-01, 87-01, 288-18		PVC - 4" to 30"	12/1/02	319,515	10.2	45.0	38			207,178	4,604	47,168	160,011
152	361.2	145-16, 145-16A, 145-16B, 124-21(R-1), 122-09(R-1), 87-17		PVC - 4" to 30"	12/1/02	356,160	10.2	45.0	38			230,939	5,132	52,577	178,362
153	361.2	145-16, 145-16A, 145-16B, 124-21(R-1), 122-09(R-1), 87-17		PVC - 4" to 30"	12/1/02	750,390	10.2	45.0	38			486,564	10,813	110,775	375,789
154	361.2	266-18, 266-18A		PVC - 4" to 30"	6/1/03	121,110	9.7	45.0	38			76,784	1,706	16,631	60,153
155	361.2	270-03		PVC - 4" to 30"	6/1/03	203,850	9.7	45.0	38			129,242	2,872	27,993	101,249
156	361.2	193-20E, 193-20F, 193-20G, 193-20H, 193-20A		PVC - 4" to 30"	11/1/03	55,904	9.3	45.0	38			37,055	823	7,681	29,374
157	361.2	193-20E, 193-20F, 193-20G, 193-20H, 193-20A		PVC - 4" to 30"	11/1/03	118,825	9.3	45.0	38			78,760	1,750	16,326	62,434
158	361.2	193-20E, 193-20F, 193-20G, 193-20H, 193-20A		PVC - 4" to 30"	11/1/03	358,020	9.3	45.0	38			237,304	5,273	49,190	188,115
159	361.2	280-11		PVC - 4" to 30"	2/1/04	104,400	9.1	45.0	38			69,199	1,538	13,957	55,242
160	361.2	278-01		PVC - 4" to 30"	3/1/04	175,560	9.0	45.0	38			116,365	2,586	23,264	93,101
161	361.2	271-25		PVC - 4" to 30"	5/1/04	71,940	8.8	45.0	38			48,098	1,069	9,437	38,661
162	361.2	255-12G		PVC - 4" to 30"	7/1/04	35,100	8.7	45.0	38			23,467	521	4,518	18,950
163	361.2	276-18		PVC - 4" to 30"	8/1/04	57,600	8.6	45.0	38			38,511	856	7,341	31,170
164	361.2	255-120		PVC - 4" to 30"	8/1/04	87,840	8.6	45.0	38			58,729	1,305	11,195	47,534
165	361.2	235-12F		PVC - 4" to 30"	12/1/04	125,630	8.2	45.0	38			92,646	2,059	16,972	75,674
166	361.2	255-12M, 255-12-2		PVC - 4" to 30"	5/1/05	56,544	7.8	45.0	38			40,575	902	7,060	33,515
167	361.2	255-12C		PVC - 4" to 30"	5/1/05	104,256	7.8	45.0	38			74,812	1,662	13,018	61,794
168	361.2	255-12C		PVC - 4" to 30"	5/1/05	110,040	7.8	45.0	38			78,962	1,755	13,740	65,223
169	361.2	255-12M, 255-12-2		PVC - 4" to 30"	5/1/05	111,900	7.8	45.0	38			80,397	1,784	13,972	66,325
170	361.2	255-12E		PVC - 4" to 30"	5/1/05	139,440	7.8	45.0	38			100,059	2,224	17,411	82,648
171	361.2	287-06		PVC - 4" to 30"	6/1/05	24,150	7.7	45.0	38			17,330	385	2,983	14,347
172	361.2	276-02, 276-07E, 276-02J, 276-02K, 276-02L		PVC - 4" to 30"	10/1/05	3,296	7.4	45.0	38			2,764	61	455	2,309
173	361.2	276-02, 276-07E, 276-02J, 276-02K, 276-02L		PVC - 4" to 30"	10/1/05	84,175	7.4	45.0	38			70,591	1,569	11,626	58,965
174	361.2	255-12N		PVC - 4" to 30"	10/1/05	364,530	7.4	45.0	38			305,701	6,793	50,348	255,353
175	361.2	276-02, 276-02G, 276-02J, 276-02K, 276-02L		PVC - 4" to 30"	10/1/05	951,060	7.4	45.0	38			797,775	17,724	131,358	666,217
176	361.2	281-22A		PVC - 4" to 30"	11/1/05	279,480	7.3	45.0	38			234,377	5,208	38,159	196,218
177	361.2	235-16C		PVC - 4" to 30"	10/1/06	67,080	6.4	45.0	38			64,954	1,443	9,255	55,698
178	361.2	290-10		PVC - 4" to 30"	11/1/06	52,290	6.3	45.0	38			50,632	1,125	7,119	43,513
179	361.2	195-16		PVC - 4" to 30"	11/1/06	79,410	6.3	45.0	38			76,893	1,709	10,811	66,081
180	361.2	300-12		PVC - 4" to 30"	11/1/07	142,470	6.2	45.0	38			137,954	3,066	18,885	119,069
181	361.2	288-02		PVC - 4" to 30"	11/1/07	148,080	6.2	45.0	38			143,386	3,186	19,628	123,757
182	361.2	306-25		PVC - 4" to 30"	5/1/07	37,110	5.8	45.0	38			35,371	786	4,584	30,787
183	361.2	179-12E		PVC - 4" to 30"	6/1/07	48,420	5.7	45.0	38			46,151	1,026	5,894	40,257
184	361.2	276-07A		PVC - 4" to 30"	7/1/07	10,530	5.7	45.0	38			10,037	223	1,263	8,773
185	361.2	292-16, 219-164R		PVC - 4" to 30"	10/1/07	134,940	5.4	45.0	38			131,051	2,912	15,763	115,288
186	361.2	276-10, 276-10A		PVC - 4" to 30"	10/1/07	211,050	5.4	45.0	38			204,968	4,555	24,654	180,314
187	361.2	290-01B		PVC - 4" to 30"	11/1/07	72,780	5.3	45.0	38			70,683	1,571	8,369	62,314
188	361.2	291-08		PVC - 4" to 30"	9/1/08	73,290	4.8	45.0	38			71,600	1,591	7,684	63,916
189	361.2	CF311-11		PVC - 4" to 30"	9/1/08	27,810	4.5	45.0	38			27,169	604	2,713	24,456
190	361.2	209-1R, 228-13, 295-16, 266-18B, 174-03		PVC - 4" to 30"	10/1/08	132,900	4.4	45.0	38			143,322	3,243	14,303	131,619
191	361.2	271-18		PVC - 4" to 30"	11/1/08	11,760	4.3	45.0	38			12,912	287	1,241	11,671
192	361.2	271-18		PVC - 4" to 30"	11/1/08	15,680	4.3	45.0	38			17,216	383	1,655	15,561
193	361.2	271-18		PVC - 4" to 30"	11/1/08	85,578	4.3	45.0	38			93,963	2,088	9,033	84,931
194	361.2	271-18		PVC - 4" to 30"	11/1/08	104,978	4.3	45.0	38			115,255	2,561	11,079	104,176
195	361.2	138-08B, 130-08R		Manholes	4/1/85	36,179	27.9	30.0	15			15,063	502	14,015	1,048
196	361.2	128-19		Manholes	12/1/85	119,669	27.2	30.0	15			49,823	1,661	45,247	4,577
197	361.2	141-18, 141-18A		Manholes	9/1/86	183,678	26.9	30.0	15			77,545	2,585	69,566	7,979
198	361.2	145-17		Manholes	9/1/86	58,443	26.5	30.0	15			24,673	822	21,790	2,883
199	361.2	156-15		Manholes	3/1/87	47,311	26.0	30.0	15			20,158	672	17,469	2,689
200	361.2	151-17		Manholes	3/1/87	77,924	25.5	30.0	15			33,201	1,107	28,215	4,986
201	361.2	60-31A, 142-07B, 142-07, 213-05		Manholes	9/1/87	300,564	25.5	30.0	15			128,061	4,269	108,830	19,231
202	361.2	154-07		Manholes	11/1/88	105,754	24.7	30.0	15			46,705	1,557	38,395	8,309
203	361.2	167-29, 167-25A		Manholes	5/1/89	38,962	23.8	30.0	15			17,965	599	14,270	3,695
204	361.2	RC 145-16C		Manholes	5/1/89	50,094	23.7	30.0	15			23,098	770	18,282	4,816
205	361.2	163-21, 163-21(R-1), 163-21A		Manholes	7/1/89	77,924	23.7	30.0	15			35,930	1,198	28,341	7,589
206	361.2	169-15, 169-15A, 169-15B		Manholes	12/1/89	61,226	23.2	30.0	15			28,331	941	21,873	6,357
207	361.2	200-37		Manholes	8/1/91	11,132	21.6	30.0	15			5,025	167	3,614	1,410
208	361.2	169-06, 169-06A-F, 169-06B, 169-06E, 169-06G, 169-06H, 169-06N, 169-06O		Manholes	2/1/92	506,506	21.1	30.0	15			226,647	7,555	159,227	67,420
209	361.2	184-08		Manholes	3/1/92	2,783	21.0	30.0	15			1,245	42	872	374
210	361.2	192-22		Manholes	6/1/92	13,915	20.7	30.0	15			6,389	213	4,418	1,971
211	361.2	BLOCKS (1078,1080,0832,0834,0836,		Manholes	7/1/92	756,976	20.7	30.0	15			347,561	11,585	239,383	108,178
212	361.2	193-20B, 193-20D		Manholes	2/1/93	119,669	20.1	30.0	15			56,575	1,886	37,856	18,719
213	361.2	157-14		Manholes	3/1/93	64,009	20.0	30.0	15			30,261	1,009	20,171	10,090

\* Reflects retirements of certain PRC Plant through 2/29/20

PALMETTO UTILITIES INC. ORIGINAL COST STUDY  
Net Plant in Service as of 2/28/13

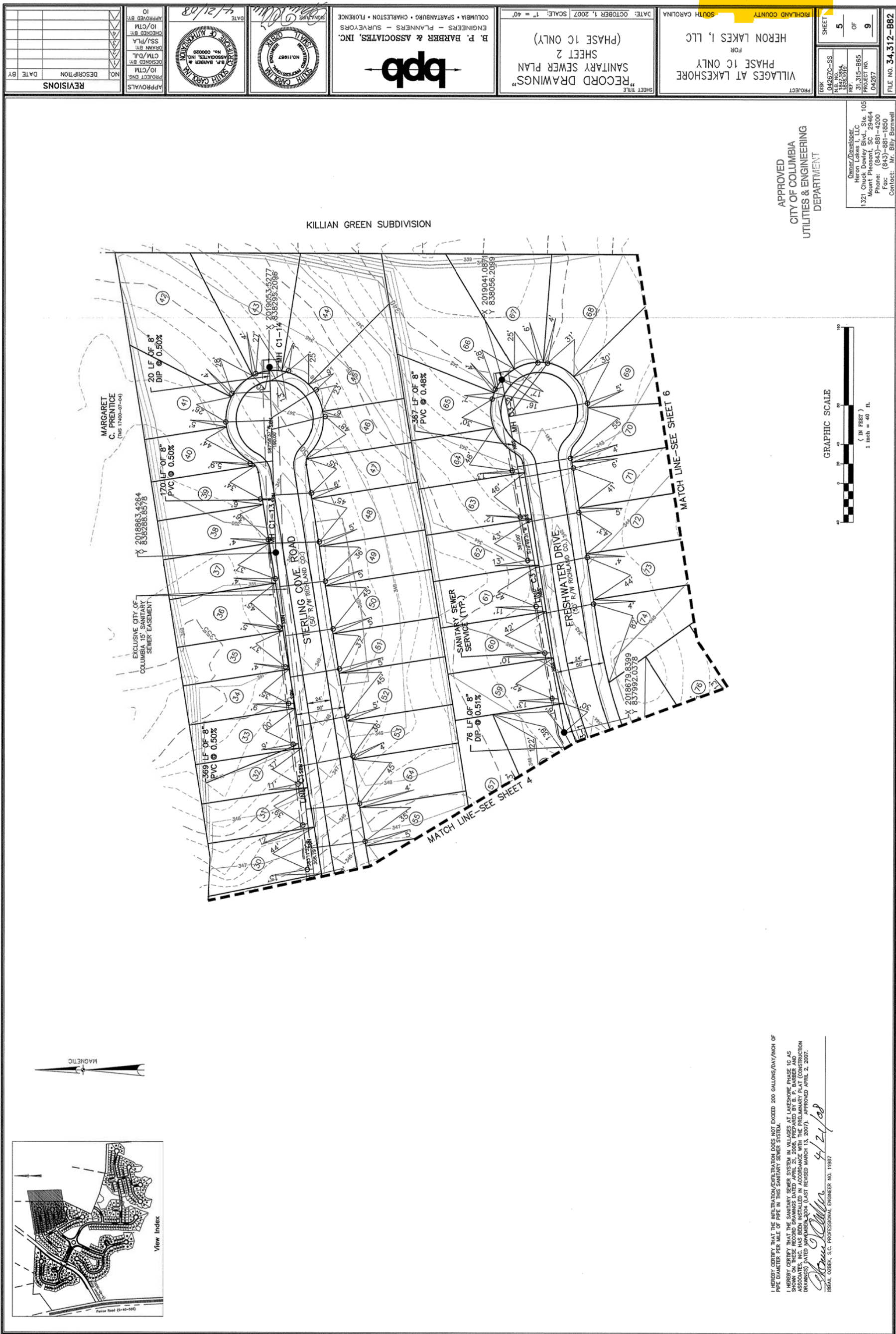
Line No.	NARUC Account	System/Inventory No.	(b)	Subaccount	(c)	In-Service Date	Reproduction Cost New	(e)	Age at 2/28/13 (Yrs.)	(f)	Service Life	(g)	Index Used	(h)	In Service Index Value	(i)	Index Value at 2/28/13	(j)	Original Cost	k) = (e) × (i) / (j)	Annual Depr. Exp.	(l) = (k) / (i)	Reserve Balance	(m) = (f) × (i) / (j)	Net Value	(n) = (k) - (m)
214	361.2	199-01(R-1), 211-07		Manholes		5/1/93	16,698		19.8		30.0	30.0	15					8,024	267				5,304	2,720		
215	361.2	189-16, 189-16A		Manholes		1/1/94	30,613		19.2		30.0	30.0	15					15,068	502				5,623	5,445		
216	361.2	209-14A, 209-14B		Manholes		8/1/94	161,414		18.6		30.0	30.0	15					81,335	2,711				30,371	30,964		
217	361.2	199-12		Manholes		10/1/94	52,877		18.4		30.0	30.0	15					27,261	909				16,731	10,530		
218	361.2	209-19		Manholes		12/1/94	97,405		18.2		30.0	30.0	15					50,219	1,674				30,541	19,677		
219	361.2	208-14C, 20814-8		Manholes		2/1/95	75,141		18.1		30.0	30.0	15					38,440	1,291				23,341	15,399		
220	361.2	206-15		Manholes		5/1/95	8,349		17.8		30.0	30.0	15					4,288	143				2,549	1,739		
221	361.2	212-18(R-1), 212-18A, 212-18, 212-18C		Manholes		6/1/95	475,893		17.7		30.0	30.0	15					244,428	8,148				144,593	99,834		
222	361.2	145-16, 145-16F		Manholes		7/1/95	197,593		17.7		30.0	30.0	15					101,487	3,383				59,758	41,730		
223	361.2	213-65A, 213-05B		Manholes		8/1/95	166,980		17.6		30.0	30.0	15					85,764	2,859				50,257	35,507		
224	361.2	211-02, 211-02A, 211-02C		Manholes		9/1/95	125,235		17.5		30.0	30.0	15					64,323	2,144				37,511	26,812		
225	361.2	215-12		Manholes		11/1/95	58,443		17.3		30.0	30.0	15					30,586	1,020				17,666	12,920		
226	361.2	213-08, 213-06		Manholes		5/1/96	13,915		16.8		30.0	30.0	15					7,309	244				4,100	3,209		
227	361.2	222-02		Manholes		5/1/96	30,613		16.8		30.0	30.0	15					16,081	536				9,021	7,060		
228	361.2	228-20		Manholes		5/1/96	38,962		16.8		30.0	30.0	15					20,466	682				11,481	8,985		
229	361.2	175-02J		Manholes		5/1/96	58,443		16.8		30.0	30.0	15					30,700	1,023				17,222	13,478		
230	361.2	202-258, 202-25, 202-25A,		Manholes		8/1/96	203,159		16.6		30.0	30.0	15					106,718	3,557				58,971	47,747		
231	361.2	222-09, 222-09D, 222-09C, 222-09B		Manholes		11/1/96	105,754		16.3		30.0	30.0	15					56,786	1,893				30,903	25,884		
232	361.2	229-2003		Manholes		6/1/97	11,132		15.7		30.0	30.0	15					5,999	200				3,149	2,851		
233	361.2	236-12		Manholes		7/1/97	8,349		15.7		30.0	30.0	15					4,499	150				2,349	2,150		
234	361.2	227-21, 227-21A		Manholes		9/1/97	77,924		15.5		30.0	30.0	15					41,994	1,400				21,688	20,306		
235	361.2	239-19		Manholes		1/1/98	2,783		15.2		30.0	30.0	15					1,521	51				769	753		
236	361.2	309-23A, 175-05, 285-08C-R-D, 234-21		Manholes		6/1/98	61,226		14.7		30.0	30.0	15					33,353	1,112				16,394	16,959		
237	361.2	231-03		Manholes		11/1/98	58,443		14.3		30.0	30.0	15					32,860	1,095				15,693	17,167		
238	361.2	175-027		Manholes		12/1/98	94,622		14.2		30.0	30.0	15					53,202	1,773				25,262	27,940		
239	361.2	179-12C, 179-12, 179-12B, 179-12G		Manholes		12/1/98	102,971		14.2		30.0	30.0	15					57,896	1,930				27,491	30,405		
240	361.2	242-17A		Manholes		2/1/99	105,754		14.1		30.0	30.0	15					59,461	1,982				27,898	31,563		
241	361.2	248-07		Manholes		5/1/99	83,490		13.8		30.0	30.0	15					46,780	1,559				21,568	25,212		
242	361.2	242-23A, 243-23D, 242-23		Manholes		8/1/99	100,188		13.6		30.0	30.0	15					56,136	1,871				25,411	30,726		
243	361.2	233-10		Manholes		9/1/99	5,566		13.5		30.0	30.0	15					3,119	104				1,403	1,716		
244	361.2	244-10		Manholes		9/1/99	41,745		13.5		30.0	30.0	15					23,390	780				10,532	12,869		
245	361.2	240-05, 240-05A		Manholes		2/1/00	30,613		13.1		30.0	30.0	15					17,570	586				7,658	9,912		
246	361.2	243-14A, 243-14		Manholes		6/1/00	52,877		12.7		30.0	30.0	15					31,788	1,060				13,504	18,284		
247	361.2	258-07		Manholes		8/1/00	5,566		12.6		30.0	30.0	15					3,346	112				1,403	1,943		
248	361.2	136-08, 43-208		Manholes		10/1/00	141,933		12.4		30.0	30.0	15					86,430	2,881				35,755	50,675		
249	361.2	175-02V		Manholes		12/1/00	25,047		12.2		30.0	30.0	15					15,252	508				6,225	9,028		
250	361.2	253-02		Manholes		12/1/00	38,962		12.2		30.0	30.0	15					23,726	791				9,683	14,043		
251	361.2	208-08, 245-07A, 245-07		Manholes		1/1/01	114,103		12.2		30.0	30.0	15					69,483	2,316				28,161	41,322		
252	361.2	255-23		Manholes		4/1/01	2,783		11.9		30.0	30.0	15					1,727	58				686	1,041		
253	361.2	109-16R2		Manholes		4/1/01	158,631		11.9		30.0	30.0	15					98,450	3,282				39,092	59,357		
254	361.2	262-23		Manholes		7/1/01	94,622		11.7		30.0	30.0	15					58,725	1,957				22,831	35,894		
255	361.2	263-16		Manholes		9/1/01	66,792		11.5		30.0	30.0	15					41,453	1,382				15,881	25,571		
256	361.2	270-06		Manholes		12/1/02	55,660		10.2		30.0	30.0	15					35,302	1,177				12,056	23,246		
257	361.2	255-12, 255-12A, 255-12L, 255-12J, 290-01, 87-01, 288-18		Manholes		12/1/02	166,980		10.2		30.0	30.0	15					105,906	3,530				36,167	69,739		
258	361.2	145-16, 145-16A, 145-16B, 124-21(R-1), 122-09(R-1), 87-17		Manholes		12/1/02	325,611		10.2		30.0	30.0	15					206,516	6,884				70,525	135,959		
259	361.2	266-18, 266-18A		Manholes		6/1/03	52,877		9.7		30.0	30.0	15					33,331	1,111				10,829	22,502		
260	361.2	270-03		Manholes		6/1/03	94,622		9.7		30.0	30.0	15					59,645	1,988				19,378	40,267		
261	361.2	193-20C, 193-20F, 193-20G, 19320H, 193-20A		Manholes		11/1/03	381,271		9.3		30.0	30.0	15					251,461	8,382				78,186	173,274		
262	361.2	280-11		Manholes		2/1/04	83,490		9.1		30.0	30.0	15					55,064	1,835				16,659	38,406		
263	361.2	278-01		Manholes		3/1/04	108,537		9.0		30.0	30.0	15					71,584	2,386				21,467	50,117		
264	361.2	271-25		Manholes		5/1/04	50,094		8.8		30.0	30.0	15					34,598	1,153				10,183	24,415		
265	361.2	255-12G		Manholes		7/1/04	22,264		8.7		30.0	30.0	15					15,377	513				4,440	10,937		
266	361.2	276-18		Manholes		8/1/04	27,830		8.6		30.0	30.0	15					19,221	641				5,496	13,725		
267	361.2	255-120		Manholes		8/1/04	33,396		8.6		30.0	30.0	15					23,065	769				6,595	16,470		
268	361.2	60-31C, 18-16B, 54-21, 102-03 (R-2), 118-16A, 54-21K(R-1)		Manholes		10/1/04	525,987		8.5		30.0	30.0	15					363,279	12,109				102,842	260,437		
269	361.2	255-12F		Manholes		12/1/04	44,528		8.2		30.0	30.0	15					32,053	1,068				8,808	23,245		
270	361.2	255-12E		Manholes		5/1/05	75,141		7.8		30.0	30.0	15					54,821	1,827				14,309	40,512		
271	361.2	255-12M, 255-12-2		Manholes		5/1/05	83,490		7.8		30.0	30.0	15					60,912	2,030				15,899	45,013		
272	361.2	255-12C		Manholes		5/1/05	119,669		7.8		30.0	30.0	15					87,307	2,910				22,788	64,519		
273	361.2	287-06		Manholes		1/1/05	8,349		7.7		30.0	30.0	15					6,091	203				1,573	4,519		
274	361.2	255-12N		Manholes		10/1/05	180,895		7.4		30.0	30.0	15					134,439	4,481				33,213	101,227		
275	361.2	276-02, 276-02J, 276-02L, 276-02K, 276-02L,		Manholes		5/01/05	531,553																			

PALMETTO UTILITIES INC. ORIGINAL COST STUDY  
Net Plant in Service as of 2/28/13

Line No.	NARUC Account	System/Inventory No.	(a)	(b)	Subaccount	(c)	In-Service Date	Reproduction Cost New	Age at 2/28/13 (Yrs.)	Service Life (g)	Index Used	In Service Index Value	Index Value at 2/28/13 (j)	Original Cost k)=(e)x(i)/(f)(l)	Annual Depr. Exp. (l)=(k)/(g)	Reserve Balance (m)=(k)x(l)/(g)	Net Value (n)=(k)-(m)
285	361.2	276-07A	7/1/07	5.566	5.7	30.0	15	Manholes						4,521	151	854	3,667
286	361.2	292-16, 219-164R	10/1/07	64,009	5.4	30.0	15	Manholes						53,175	1,772	9,594	43,581
287	361.2	276-10, 276-10A	10/1/07	139,150	5.4	30.0	15	Manholes						115,597	3,853	20,857	94,741
288	361.2	290-01B	11/1/07	36,179	5.3	30.0	15	Manholes						30,055	1,002	5,338	24,718
289	361.2	44-4A, 44-4B, 128-01, 133-01A, 127-07, 133-01C, 133-01	12/1/07	320,045	5.2	30.0	15	Manholes						265,874	8,862	46,490	219,384
290	361.2	291-08	5/1/08	33,396	4.8	30.0	15	Manholes						29,628	988	4,770	24,858
291	361.2	CF311-11	9/1/08	8,349	4.5	30.0	15	Manholes						7,407	247	1,109	6,298
292	361.2	209-1R, 228-13, 295=16, 266-18B, 174-03	10/1/08	94,622	4.4	30.0	15	Manholes						84,681	2,823	12,450	72,231
293	361.2	271-18	11/1/08	80,707	4.3	30.0	15	Manholes						72,228	2,408	10,415	61,813
294	361.2	63-25B	11/1/09	22,264	3.9	30.0	15	Manholes						19,332	641	2,508	16,724
295	361.2	138-20, 138-01A, 123-4, 39-05A, 138=01, 40-31, 39-5	11/1/09	242,121	3.3	30.0	15	Manholes						212,916	7,097	23,609	189,307
296	361.2	107-22R, 107-22A	2/1/10	61,226	3.1	30.0	15	Manholes						53,841	1,795	5,518	48,323
297	361.2	36-27R, 36-22A, 100-20(R-5)	2/1/10	150,282	3.1	30.0	15	Manholes						132,155	4,405	13,544	118,610
298	363.2	n/a	12/1/77	69,936	35.2	38.0	39	Services						20,245	533	18,777	1,468
299	363.2	n/a	4/1/79	9,092	33.9	38.0	39	Services						2,871	76	2,562	309
300	363.2	n/a	11/1/79	97,561	33.3	38.0	39	Services						30,809	811	27,021	3,788
301	363.2	n/a	2/1/80	68,538	33.1	38.0	39	Services						24,418	643	21,254	3,164
302	363.2	n/a	4/1/81	102,457	31.9	38.0	39	Services						40,029	1,053	33,616	6,413
303	363.2	n/a	4/1/85	22,030	27.9	38.0	39	Services						9,187	242	6,748	2,439
304	363.2	n/a	12/1/85	50,005	27.2	38.0	39	Services						20,852	549	14,950	5,902
305	363.2	n/a	4/1/86	57,348	26.9	38.0	39	Services						23,914	629	16,937	6,977
306	363.2	n/a	9/1/86	22,729	26.5	38.0	39	Services						9,478	249	6,608	2,870
307	363.2	n/a	3/1/87	15,036	26.0	38.0	39	Services						6,453	170	4,415	2,038
308	363.2	n/a	9/1/87	219,950	25.5	38.0	39	Services						94,391	2,484	63,329	31,063
309	363.2	n/a	5/1/89	22,729	23.8	38.0	39	Services						10,160	270	6,434	3,826
310	363.2	n/a	6/1/89	19,932	23.7	38.0	39	Services						8,998	237	5,622	3,375
311	363.2	n/a	7/1/89	26,576	23.7	38.0	39	Services						11,997	316	7,471	4,526
312	363.2	n/a	12/1/89	23,778	23.2	38.0	39	Services						11,263	296	6,890	4,374
313	363.2	n/a	8/1/91	3,147	21.6	38.0	39	Services						1,427	38	810	617
314	363.2	n/a	2/1/92	182,184	21.1	38.0	39	Services						83,716	2,203	46,432	37,285
315	363.2	n/a	3/1/92	699	21.0	38.0	39	Services						321	8	177	144
316	363.2	n/a	6/1/92	4,196	20.7	38.0	39	Services						1,945	51	1,062	883
317	363.2	n/a	7/1/92	276,249	20.7	38.0	39	Services						128,059	3,370	69,632	58,427
318	363.2	n/a	2/1/93	48,606	20.1	38.0	39	Services						22,926	603	12,111	10,815
319	363.2	n/a	3/1/93	20,981	20.0	38.0	39	Services						9,896	260	5,208	4,688
320	363.2	n/a	5/1/93	5,595	19.8	38.0	39	Services						2,650	70	1,383	1,267
321	363.2	n/a	1/1/94	9,791	19.2	38.0	39	Services						4,856	128	2,448	2,408
322	363.2	n/a	8/1/94	55,599	18.6	38.0	39	Services						27,462	723	13,427	14,035
323	363.2	n/a	12/1/94	31,471	18.2	38.0	39	Services						15,799	416	7,586	8,213
324	363.2	n/a	2/1/95	24,128	18.1	38.0	39	Services						12,113	319	5,762	6,351
325	363.2	n/a	5/1/95	4,196	17.8	38.0	39	Services						2,208	58	1,036	1,172
326	363.2	n/a	6/1/95	162,602	17.7	38.0	39	Services						85,580	2,252	39,968	45,612
327	363.2	n/a	7/1/95	70,286	17.7	38.0	39	Services						36,993	973	17,196	19,796
328	363.2	n/a	8/1/95	59,796	17.6	38.0	39	Services						31,472	828	14,560	16,912
329	363.2	n/a	9/1/95	40,563	17.5	38.0	39	Services						21,149	562	9,829	11,520
330	363.2	n/a	11/1/95	20,631	17.3	38.0	39	Services						11,109	292	5,066	6,043
331	363.2	n/a	5/1/96	50,354	16.8	38.0	39	Services						27,623	727	12,234	15,389
332	363.2	n/a	8/1/96	73,783	16.6	38.0	39	Services						40,476	1,065	17,658	22,818
333	363.2	n/a	11/1/96	36,017	16.3	38.0	39	Services						20,050	528	8,614	11,436
334	363.2	n/a	6/1/97	5,595	15.7	38.0	39	Services						3,103	82	1,286	1,817
335	363.2	n/a	7/1/97	2,098	15.7	38.0	39	Services						1,164	31	480	684
336	363.2	n/a	9/1/97	25,177	15.5	38.0	39	Services						13,965	367	5,694	8,271
337	363.2	n/a	10/1/98	24,478	14.7	38.0	39	Services						13,973	368	5,422	8,551
338	363.2	n/a	11/1/98	19,233	14.3	38.0	39	Services						11,135	293	4,198	6,937
339	363.2	n/a	12/1/98	67,139	14.2	38.0	39	Services						38,870	1,023	14,571	24,299
340	363.2	n/a	2/1/99	32,870	14.1	38.0	39	Services						19,030	501	7,049	11,981
341	363.2	n/a	5/1/99	27,275	13.8	38.0	39	Services						14,521	382	5,285	9,235
342	363.2	n/a	8/1/99	31,471	13.6	38.0	39	Services						16,755	441	5,988	10,767
343	363.2	n/a	9/1/99	20,981	13.5	38.0	39	Services						11,170	294	3,967	7,203
344	363.2	n/a	2/1/00	11,190	13.1	38.0	39	Services						6,093	160	2,097	3,997
345	363.2	n/a	6/1/00	17,134	12.7	38.0	39	Services						9,399	247	3,152	6,247
346	363.2	n/a	12/1/00	10,490	12.2	38.0	39	Services						5,840	154	1,882	3,958
347	363.2	n/a	1/1/01	40,913	12.2	38.0	39	Services						22,775	599	7,287	15,488
348	363.2	n/a	4/1/01	1,399	11.9	38.0	39	Services						787	21	247	540
349	363.2	n/a	7/1/01	30,422	11.7	38.0	39	Services						17,120	451	5,255	11,865
350	363.2	n/a	9/1/01	16,785	11.5	38.0	39	Services						9,446	249	2,857	6,589
351	363.2	n/a	12/1/02	287,089	10.2	38.0	39	Services						166,209	4,374	44,811	121,398
352	363.2	n/a	6/1/03	53,851	9.7	38.0	39	Services						31,504	829	8,081	23,423
353	363.2	n/a	11/1/03	104,905	9.3	38.0	39	Services						66,893	1,760	16,420	50,473
354	363.2	n/a	2/1/04	28,324	9.1	38.0	39	Services						18,061	475	4,314	13,747
355	363.2	n/a	3/1/04	31,821	9.0	38.0	39	Services						20,291	534	4,804	15,487

PALMETTO UTILITIES INC. ORIGINAL COST STUDY																
Net Plant in Service as of 2/28/13																
Line No.	NARUC Account	System/Inventory No.	(a)	(b)	(c)	In-Service Date	Reproduction Cost New	Age at 2/28/13 (Yrs.)	Service Life	Index Used	In Service Index Value	Index Value at 2/28/13	Original Cost	Annual Degr. Exp.	Reserve Balance	Net Value
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)=(5)×(10)/(1)	(12)=(9)/(8)	(13)=(11)×(10)	(14)=(13)-(11)
356	363.2	n/a	5/1/04	13,638	8.8	38.0	39	8.8	38.0	39			8,807	232	2,046	6,760
357	363.2	n/a	7/1/04	6,294	8.7	38.0	39	8.7	38.0	39			4,064	107	927	3,138
358	363.2	n/a	8/1/04	23,079	8.6	38.0	39	8.6	38.0	39			14,903	392	3,364	11,539
359	363.2	n/a	12/1/04	19,582	8.2	38.0	39	8.2	38.0	39			13,398	353	2,907	10,492
360	363.2	n/a	5/1/05	91,966	7.8	38.0	39	7.8	38.0	39			63,669	1,675	13,120	50,549
361	363.2	n/a	6/1/05	3,497	7.7	38.0	39	7.7	38.0	39			2,421	64	493	1,928
362	363.2	n/a	10/1/05	252,121	7.4	38.0	39	7.4	38.0	39			195,981	5,157	38,223	157,757
363	363.2	n/a	11/1/05	52,103	7.3	38.0	39	7.3	38.0	39			40,501	1,066	7,809	32,692
364	363.2	n/a	10/1/06	18,183	6.4	38.0	39	6.4	38.0	39			15,202	400	2,565	12,636
365	363.2	n/a	11/1/06	26,926	6.3	38.0	39	6.3	38.0	39			22,511	592	3,748	18,763
366	363.2	n/a	1/1/07	55,599	6.2	38.0	39	6.2	38.0	39			46,483	1,223	7,535	38,947
367	363.2	n/a	5/1/07	6,594	5.8	38.0	39	5.8	38.0	39			5,873	155	901	4,972
368	363.2	n/a	6/1/07	8,043	5.7	38.0	39	5.7	38.0	39			6,754	178	1,021	5,733
369	363.2	n/a	7/1/07	2,448	5.7	38.0	39	5.7	38.0	39			2,056	54	306	1,749
370	363.2	n/a	10/1/07	62,943	5.4	38.0	39	5.4	38.0	39			53,005	1,395	7,550	45,455
371	363.2	n/a	11/1/07	12,239	5.3	38.0	39	5.3	38.0	39			10,307	271	1,445	8,861
372	363.2	n/a	5/1/08	11,889	4.8	38.0	39	4.8	38.0	39			10,252	270	1,303	8,949
373	363.2	n/a	9/1/08	4,196	4.5	38.0	39	4.5	38.0	39			3,618	95	428	3,191
374	363.2	n/a	10/1/08	25,876	4.4	38.0	39	4.4	38.0	39			22,995	605	2,669	20,326
375	363.2	n/a	10/1/08	42,661	4.4	38.0	39	4.4	38.0	39			37,911	998	4,400	33,511
376	363.2	n/a	11/1/08	33,919	4.3	38.0	39	4.3	38.0	39			30,143	793	3,431	26,711
377	363.2	n/a	9/1/11	173,093	1.5	38.0	39	1.5	38.0	39			160,929	4,322	6,327	154,503
378	354.3	n/a	9/1/14	17,000	38.5	32.0	15	38.5	32.0	15			3,804	-	3,804	-
379	354.3	n/a	4/1/81	58,667	31.9	32.0	15	31.9	32.0	15			21,800	681	21,741	60
380	354.3	n/a	4/1/81	150,667	31.9	32.0	15	31.9	32.0	15			53,987	1,750	55,834	153
381	354.3	n/a	6/1/81	20,800	31.7	32.0	15	31.7	32.0	15			7,729	242	7,668	62
382	354.3	n/a	6/1/81	77,333	31.7	32.0	15	31.7	32.0	15			28,737	898	28,508	229
383	354.3	n/a	6/1/81	175,000	31.7	32.0	15	31.7	32.0	15			65,029	2,032	64,512	517
384	354.3	n/a	12/1/85	77,333	27.9	32.0	15	27.9	32.0	15			32,197	1,006	28,084	4,113
385	354.3	n/a	12/1/85	29,000	27.2	32.0	15	27.2	32.0	15			12,074	377	10,280	1,794
386	354.3	n/a	2/1/95	20,800	18.1	32.0	15	18.1	32.0	15			10,724	335	6,057	4,666
387	354.3	n/a	7/1/95	43,667	17.7	32.0	15	17.7	32.0	15			22,428	701	12,381	10,047
388	354.3	n/a	10/1/05	113,000	7.4	32.0	15	7.4	32.0	15			83,981	2,624	19,450	64,530
389	354.3	n/a	11/1/08	175,000	4.3	32.0	15	4.3	32.0	15			156,615	4,894	21,171	135,443
390	371.3	n/a	4/1/81	301,333	31.9	18.0	9	31.9	18.0	9			92,283	-	99,969	-
391	371.3	n/a	6/1/81	350,000	31.7	18.0	9	31.7	18.0	9			99,969	-	99,969	-
392	371.3	n/a	2/1/12	41,600	1.1	18.0	9	1.1	18.0	9			40,560	2,253	2,425	38,135
393	371.3	n/a	7/1/12	87,333	0.7	18.0	9	0.7	18.0	9			85,696	4,761	3,154	82,541
394	371.3	n/a	4/1/99	117,333	13.9	18.0	9	13.9	18.0	9			73,187	4,066	56,572	16,614
395	371.3	n/a	4/1/03	154,667	9.9	18.0	9	9.9	18.0	9			105,360	5,864	58,139	47,421
396	371.3	n/a	12/1/03	58,000	9.2	18.0	9	9.2	18.0	9			36,137	2,008	18,962	17,575
397	371.3	n/a	10/1/05	226,000	7.4	18.0	9	7.4	18.0	9			175,150	9,731	72,117	103,033
398	371.3	n/a	11/1/08	350,000	4.3	18.0	9	4.3	18.0	9			297,063	16,503	71,391	225,672
399	371.3	n/a	9/1/10	34,000	2.5	18.0	9	2.5	18.0	9			29,793	1,655	4,128	25,664
Total Utility Assets																
\$ 47,113,371																
\$ 25,423,487 \$ 679,454 \$ 10,071,254 \$ 15,352,233																
400																







DATE: FEB. 2, 2011  
DRAWN: HDE  
DESIGNED: CUZA  
DRAWING NUMBER: 1 OF 1

CHECKED BY: [Signature]  
JOB NUMBER: 05089

SANITARY SEWER RECORD DRAWING

PREPARED FOR: BRICKYARD-LONGTOWN, LLC  
IRMO, SOUTH CAROLINA

CITY OF COLUMBIA  
ENGINEERING  
COLUMBIA, INC.  
NO. 000295

CERTIFICATE OF AUTHORIZATION  
SOUTH CAROLINA  
CIVIL ENGINEERING  
NO. 000295

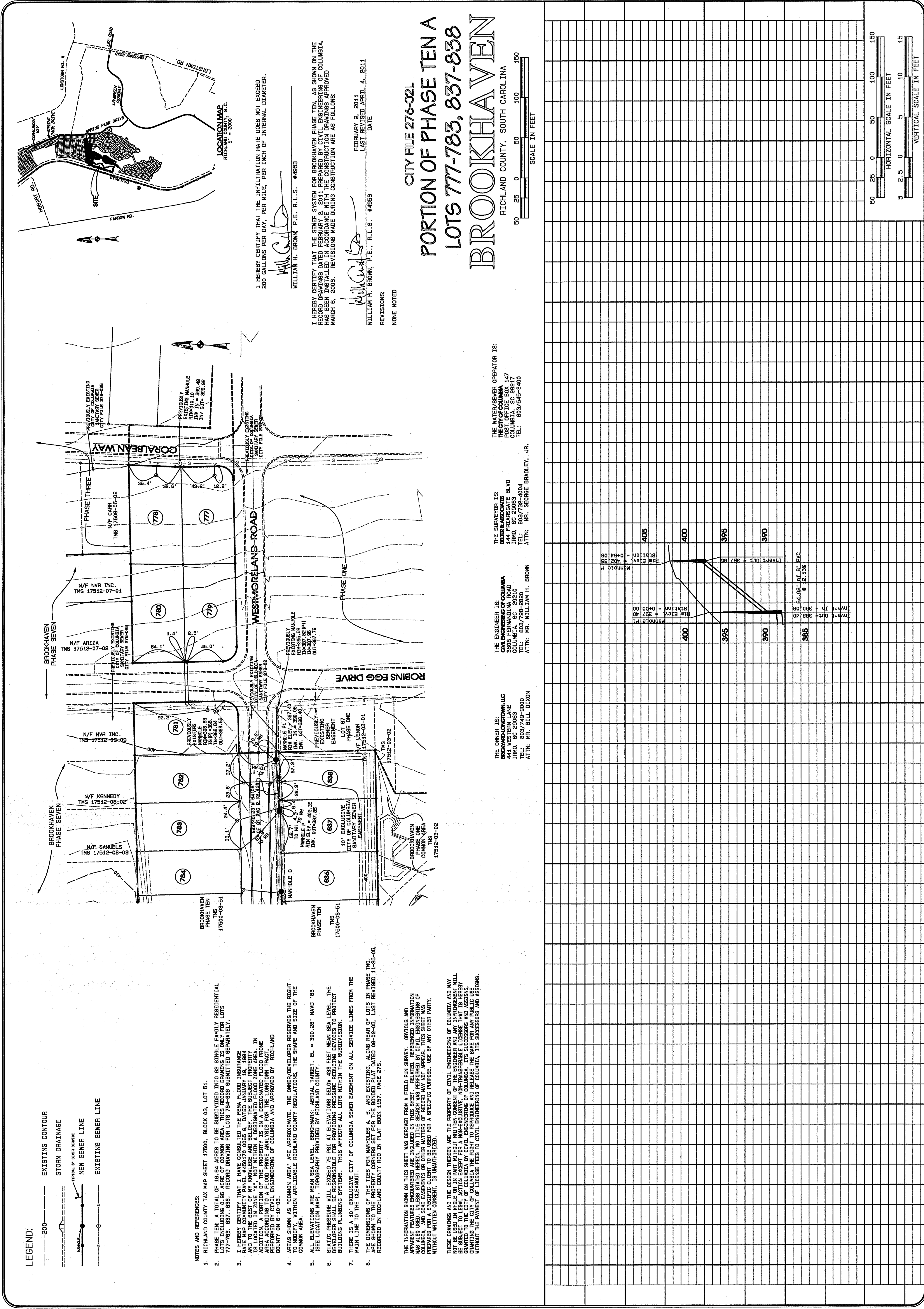
CONSULTING ENGINEERING, SURVEYING AND PLANNING  
3608 FERNANDINA ROAD, COLUMBIA, SOUTH CAROLINA 29210  
TELEPHONE (803) 798-2820 FAX (803) 798-2825

ANY CERTIFICATIONS, WARRANTIES, OR GUARANTEES STANDING AND REASONABLE CARE WERE USED IN THE PREPARATION OF THESE DOCUMENTS. THE ENGINEER OR SURVEYOR OF RECORD IS NOT RESPONSIBLE FOR THE DESIGN OR CONSTRUCTION OF ANY STRUCTURE OR SYSTEM THAT IS NOT SHOWN ON THIS SHEET WAS PREPARED BY THE ENGINEER OR SURVEYOR OF RECORD.

CITY FILE 276-021

PORTION OF PHASE TEN A  
LOTS 777-783, 837-838  
BROOKHAVEN  
RICHLAND COUNTY, SOUTH CAROLINA

SCALE: AS SHOWN  
DATE: FEB. 2, 2011  
DRAWN: HDE  
DESIGNED: CUZA  
DRAWING NUMBER: 1 OF 1





POSTED

[illegible]

**Alonso, Janice L**

**From:** Palen, Jeffery M  
**Sent:** Thursday, March 21, 2013 2:31 PM  
**To:** Page, Ginger; Alford, Galena; Sharpe, Glenn R; Cartzendafner, Jessica E; Alonso, Janice L; Smith, Tammy M; Pancoast, Rebecca; Ulmer, Dennie L  
**Subject:** FW: [Customer Incoming Wire Advice - eMail] Message ID:130321143008F200 Advice Code:INCSADEM

-----  
**From:** [wireroom@firstcitizenonline.com](mailto:wireroom@firstcitizenonline.com)[SMTP:WIREROOM@FIRSTCITIZENSONLINE.COM]

**Sent:** Thursday, March 21, 2013 2:30:23 PM

**To:** Palen, Jeffery M

**Subject:** [Customer Incoming Wire Advice - eMail] Message ID:130321143008F200 Advice Code:INCSADEM  
Auto forwarded by a Rule

**From:** 1ST CITZ BK & TR - Wire Transfer Dept.

This funds transfer was received on 2013-03-21, for \$16,366,540.00.  
The funds have been CREDITED to account # \*\*\*\*\*4401.

**Sender:**

**Name** : SYNOVUS BANK  
**ABA #** : 061100606  
**Reference #** : 130321134526KZ02  
**Received from** :  
**By Order Of** : ALLEN WISE

**OMAD Reference #** : 20130321E3QP0A1C00068203211430FT03

**Additional Funds Transfer Information:**

**Beneficiary:** CITY OF COLUMBIA ACH RETURNS 1136 WASHINGTON STREET, COLUMBIA SC 29201

**Beneficiary Bank:**

**Reference for Beneficiary:**

\* \* \*

**Originator Info:** ALLEN WISE ATTORNEY ESCROW ACCOUNT 1217 ANTHONY AVE COLUMBIA, SC 29201-1701

**Originator Bank:**

Need to book  
- 16.7 mil  
- rev. reduction  
- gain  
- disposed

2,299,875.00	45,997.50	2,042,479.06
--------------	-----------	--------------

FUND	PC	FAID	Fixed Asset Description	Purchase Price	Accum Depr @ 6/30/2013	Net Gain(Loss)	PC Desc	
551	MC	F002109	LONG CREEK PUMP STATION	6,050.00	3,549.33	2,500.67	BLDG/IMPRV	NI America
551	MF	F002789	GREENSPRINGS BRANCH OUTFALL	125,687.00	78,763.85	46,923.15	BLDG/IMPRV	NI America
551	MF	F002890	SAND HILL FIRE ST	5,280.00	3,097.60	2,182.40	BLDG/IMPRV	NI America
551	MV	F005168	BROADRIVER & LONGCREEK 1&3	373,270.78	172,119.31	201,151.47	BLDG/IMPRV	NI America
551	MF	F006086	BROADRIVER & LONGCREEK 1&3	465,283.21	46,528.30	418,754.91	BLDG/IMPRV	NI America
551	ME	F006943	BROADRIVER & LONGCREEK 1&3	559,363.76	48,478.19	510,885.57	BLDG/IMPRV	NI America
				<u>1,534,934.75</u>	<u>352,536.58</u>	<u>1,182,398.17</u>		
551	MG	F006555	ITT FLYGT PUMP-LS SOLD -	33,705.00	23,593.50	10,111.50	EQUIP	NI AMERICA
551	MG	F006911	LONG CREEK LS-FLYGT PUMP	11,443.24	5,149.46	6,293.78	EQUIP	NI America
551	MG	F007169	PUMP @ LONG CREEK - LS SOLD	12,706.26	2,753.02	9,953.24	EQUIP	NI AMERICA
551	MG	F007170	PUMP @ CRESCENT LS - LS SOLD	10,992.12	2,381.62	8,610.50	EQUIP	NI AMERICA
551	MG	F007209	PUMP @ BROOKHAVEN LS - LS SOLD	21,814.90	5,090.14	16,724.76	EQUIP	NI AMERICA
551	MG	F007213	CONTROL PANEL @ N CROSSING LS -SOLD	13,597.98	2,719.60	10,878.38	EQUIP	NI AMERICA
551	MG	F007306	BRADFORD PARK LS-CONTROL PANEL	15,576.86	2,336.53	13,240.33	EQUIP	NI America
551	MG	F007309	BRADFORD PARK LS -FLYGT PUMP	12,165.72	1,824.86	10,340.86	EQUIP	NI America
551	MG	F007310	BRADFORD PARK LS-FLYGT PUMP	12,165.71	1,824.86	10,340.85	EQUIP	NI America
				<u>144,167.79</u>	<u>47,673.59</u>	<u>96,494.20</u>		
551	MA	F006001	CRESCENT LAKE SEWER LIFT STATION	392.30	-	392.30	LAND	NI America
551	MA	F006010	SPRING VALLEY SEWER LIFT STATION	96.19	-	96.19	LAND	NI America
551	MA	F006012	HOLLY RIDGE SEWER LIFT STATION	152.93	-	152.93	LAND	NI America
551	MA	F006013	LONGCREEK SEWER LIFT STATION	96.19	-	96.19	LAND	NI America
551	MA	F006025	BRADFORD PARK	10,785.99	-	10,785.99	LAND	NI America
				<u>11,523.60</u>	<u>-</u>	<u>11,523.60</u>		
			Total	1,690,626.14	400,210.17	1,290,415.97		

Schedule 6

Closing Statement

Ni America Closing Statement

City of Columbia

Purchase Price per Agreement	\$ 18,000,000.00
Less:	
Escrow Holdback Amount (2.2(b))	(1,300,000.00) ✓
Post-Signing Connection Fees (8.4)	(333,460.00)
Net Cash to Seller per APA	<u>\$ 16,366,540.00</u>
Closing Date	03/20/13

Note: pro-rated items to be addressed post close.

Schedule 5Post-Signing Connection Fees

CUST_CODE	PREMISES	ADDRESS	tap and expansion fees collected	CITY	ST	ZIP	TAP
9154954	2074366	709 CLUB COTTAGE DR	① \$2,940.00	BLYTHEWOOD	SC	29016	SWTF
9221143	2074962	66 BALLYMORE CT	② \$2,940.00	COLUMBIA	SC	29229	SWTF
9257511	2073914	424 BEAUMONT PARK CIR	② \$2,940.00	BLYTHEWOOD	SC	29016	SWTF
9257511	2073916	428 BEAUMONT PARK CIR	① \$2,940.00	BLYTHEWOOD	SC	29016	SWTF
9270950	2069467	3081 LONGTOWN COMMONS DR	⑤ \$2,940.00	COLUMBIA	SC	29229	SWTF
9274686	2072047	10730 FARROW RD 203940	X \$7,880.00	BLYTHEWOOD	SC	29016	SWTF
9274937	2072168	432 BEAUMONT PARK CIR	② \$2,940.00	BLYTHEWOOD	SC	29016	SWTF
9277394	2073224	124 W COLUMBIA CLUB DR	X \$3,940.00	BLYTHEWOOD	SC	29016	SWTF
9282003	2076309	416 CARTGATE CIR	⑦ \$2,940.00	BLYTHEWOOD	SC	29016	SWTF
9282808	2076847	9852 FARROW RD 1003940	X \$39,400.00	COLUMBIA	SC	29203	SWTF
15260050	2072377	333 HESTER CT	⑩ \$2,940.00	COLUMBIA	SC	29223	SWTF
15260050	2072769	280 BIG GAME LOOP	⑨ \$2,940.00	COLUMBIA	SC	29229	SWTF
15260050	2075857	113 HESTER WOODS DR	⑩ \$2,940.00	COLUMBIA	SC	29223	SWTF
15336030	2072409	552 WESTMORELAND RD	⑩ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2072561	300 BOURNEMOUTH WAY	⑩ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2072959	87 EDGEROW CT	⑫ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2072961	375 WESTMORELAND RD	⑩ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2072415	316 BOURNEMOUTH WAY	⑬ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2072956	215 BARNETBY WAY	⑪ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2072960	423 WESTMORELAND RD	⑩ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2073371	304 BOURNEMOUTH WAY	⑫ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2073378	95 EDGEROW CT	⑬ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2074837	2012 WILKINSON DR	⑭ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2074987	564 WESTMORELAND RD	⑮ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2075348	562 WESTMORELAND RD	⑮ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2075978	418 WESTMORELAND RD	⑮ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2076127	312 BOURNEMOUTH WAY	⑮ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2075977	75 EDGEROW CT	⑮ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2076128	526 PATERDALE LN	⑮ \$2,940.00	BLYTHEWOOD	SC	29016	SWTF
15336030	2076161	406 WESTMORELAND RD	⑮ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2076490	501 PATERDALE LN	⑮ \$2,940.00	BLYTHEWOOD	SC	29016	SWTF
15336030	2076163	383 WESTMORELAND RD	⑮ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2077391	410 WESTMORELAND RD	⑮ \$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2076610	422 WESTMORELAND RD	⑮ \$2,940.00	COLUMBIA	SC	29229	SWTF



15336030	2076789	486 GLACIER WAY	(30)	\$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2076796	580 WESTMORELAND RD	(32)	\$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2076797	582 WESTMORELAND RD	(34)	\$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2076946	79 EDGEROW CT	(35)	\$2,940.00	COLUMBIA	SC	29229	SWTF
15336030	2077392	431 WESTMORELAND RD	(36)	\$2,940.00	COLUMBIA	SC	29229	SWTF
17060024	2074510	514 WATER WILLOW WAY	(31)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17060024	2074537	206 PEGONIA LN	(38)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17060024	2075258	506 WATER WILLOW WAY	(37)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17060024	2075257	397 N HIGH DUCK TRL	(40)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17060024	2075259	207 PEGONIA LN	(41)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17060024	2075260	211 PEGONIA LN	(42)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17060024	2075261	215 PEGONIA LN	(43)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17060024	2077413	219 PEGONIA LN	(44)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17118062	2072617	573 BRIAR JUMP LN	(45)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17118062	2073040	574 BRIAR JUMP LN	(46)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17118062	2073162	61 KIRKBRIDE CT	(47)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17118062	2073164	51 WEATHERBY CT	(48)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17118062	2073727	569 BRIAR JUMP LN	(49)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17118062	2073041	565 BRIAR JUMP LN	(50)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17118062	2075589	500 CARTGATE CIR	(51)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17118062	2075590	156 FRASIER FIR LN	(52)	\$2,940.00	COLUMBIA	SC	29229	SWTF
17118062	2076315	240 BIG GAME LOOP	(53)	\$2,940.00	COLUMBIA	SC	29229	SWTF
17118062	2076316	260 BIG GAME LOOP	(54)	\$2,940.00	COLUMBIA	SC	29229	SWTF
17118062	2077001	48 THISTLE WOOD CT	(55)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17118062	2077006	316 CARTGATE CIR	(56)	\$2,940.00	BLYTHEWOOD	SC	29016	SWTF
17118062	2077217	108 BIG GAME LOOP	(57)	\$2,940.00	COLUMBIA	SC	29229	SWTF
17118062	2077237	304 OSTRICH CIR	(58)	\$2,940.00	COLUMBIA	SC	29229	SWTF
		2000 Wilkinson Dr	(59)	\$2,940.00				
		390 Westmoreland Rd	(60)	\$2,940.00				
		379 Westmoreland Rd	(61)	\$2,940.00				
		208 Wilkinson Dr	(62)	\$2,940.00				
		431 Beaumont Park Cir	(63)	\$2,940.00				
		60 Fishhook Ct	(64)	\$2,940.00				
		296 Big Game Loop	(65)	\$2,940.00				
		176 Thomaston Dr	(66)	\$2,940.00				
		131 Frasier Fir Ln	(67)	\$2,940.00				
		132 Bardwell Way	(68)	\$2,940.00				
		60 Kirkbride Ct	(69)	\$2,940.00				
		56 Weatherby Ct	(70)	\$2,940.00				
				\$257,020.00				

	① \$2,940.00	427 Westmoreland Road	2/1/2013
--	--------------	-----------------------	----------

Columbia: 1777149 v.9

$$\begin{aligned}
 13 + 70 + 26 &= 109 @ 2640.00 = 287,760.00 \\
 96 @ 300.00 &= 28,800.00 \\
 13 @ 1300.00 &= 16,900.00 \\
 \hline
 &= 333,460.00
 \end{aligned}$$

5520000 - 4471140 Exp. Par. 100%  
 5510000 - 4471150 Dev. Tap  
 5510000 - 4471150 City Tap

Shereka Johnson	(3) \$2,940.00	176 Churchland Drive	2/1/2013
Byron Greene	(2) \$2,940.00	308 Cartgate Court	2/1/2013
Shereka Johnson	(4) \$2,940.00	47 Ravenglass Way	2/1/2013
Shereka Johnson	(5) \$2,940.00	104 Runneymede Drive	2/5/2013
Lori Yant	(6) \$2,940.00	2000 Wilkinson Drive	2/6/2013
Lori Yant	(7) \$2,940.00	311 Bournemouth Way	2/6/2013
Lori Yant	(8) \$2,940.00	219 Barnetby Way	2/6/2013
Lori Yant	(9) \$2,940.00	230 Longtown Place Drive	2/19/2013
Lori Yant	(10) \$2,940.00	58 Ballymore Court	2/19/2013
Lori Yant	(11) \$2,940.00	230 Longtown Place Drive	2/19/2013
Lori Yant	(12) \$2,940.00	58 Ballymore Ct.	2/19/2013
Lori Yant	(13) \$2,940.00	387 Westmoreland Rd.	2/22/2013
Lori Yant	(14) \$2,940.00	237 Kenmore Park Dr.	2/22/2013
Shereka Johnson	(15) \$2,940.00	219 Deer Creek Dr.	2/26/2013
Shereka Johnson	(16) \$2,940.00	215 Big Game Loop	2/26/2013
Shereka Johnson	(17) \$2,940.00	167 Big Game Loop	2/26/2013
Shereka Johnson	(18) \$2,940.00	143 Big Game Loop	2/26/2013
Shereka Johnson	(19) \$2,940.00	177 Thomaston Dr.	2/27/2013
Shereka Johnson	(20) \$2,940.00	173 Thomaston Dr.	2/27/2013
Lori Yant	(21) \$2,940.00	586 Westmoreland Rd.	2/28/2013
Lori Yant	(22) \$2,940.00	501 Briar Jump Ln.	3/5/2013
Lori Yant	(23) \$2,940.00	268 Big Game Loop	3/5/2013
Lori Yant	(24) \$2,940.00	201 Club Colony Dr.	2/25/2013
Lori Yant	(25) \$2,940.00	6 Wynford Pl.	2/25/2013
Lori Yant	(26) \$2,940.00	303 Club Colony Cir.	3/18/2013
total so far	\$76,440.00		

WATER OPERATIONS REQUEST #28



## ORS WATER OPERATIONS REQUEST FORM

Please acknowledge receipt of request by email.

**DATE:** March 12, 2020

**TO:** Mark Daday/Lauren Hutson

**UTILITY:** Palmetto Utilities, Inc. – Docket No. 2019-281-S

**FROM:** Daniel Hunnell II

**PURPOSE:** Rate Base

**REQUEST THE FOLLOWING ITEMS BE PROVIDED BY:** March 18, 2020 or sooner

Please provide responses to the following in writing, electronically, and serve the above-named party on or before the date specified to [dhunnell@ors.sc.gov](mailto:dhunnell@ors.sc.gov). In addition to a signature and verification at the close of the Company's responses, please indicate the Company witness(es), employee(s), or agent(s) responsible for the information contained in each response.

Pursuant to S.C. Code Ann. §§ 58-4-55 (Supp. 2018) and 58-5-230 the South Carolina Office of Regulatory Staff hereby makes the following request(s):

1. Refer to Walsh Prefiled Direct Testimony, Page 3, lines 19-21. Please explain why the USOA system of accounts is not applicable to the City of Columbia and the acquired assets. Does a utility have to be regulated for USOA to be applicable?

**RESPONSE:** The Company objects to this request as it is beyond the scope of books, records or other information in its possession required to be produced under S.C. Code Ann. §58-4-55. Further responding, the Company objects to this request to the extent that it seeks to discover information subject to the protections of the attorney work product doctrine. Subject to the foregoing objection, the Company states that the referenced pre-filed witness testimony speaks for itself.

2. Refer to Clayton Prefiled Direct Testimony, Page 4, lines 30-31. Please reconcile the 'estimates of the age of the assets' in the Wood report with the in-service dates utilized in your original cost study. Please describe how the approximate ages across functional property type described in the Wood report translates to the specific in-service dates in the original cost study.

**RESPONSE:** The Company objects to this request as it is beyond the scope of books, records or other information in its possession required to be produced under S.C. Code Ann. §58-4-55. Further responding, the Company objects to this request to the extent that it seeks to

discover information subject to the protections of the attorney work product doctrine. Subject to the foregoing objection, the Company states that the referenced pre-filed witness testimony speaks for itself.

3. Refer to Clayton Prefiled Direct Testimony, Page 5, lines 8-10:
  - a. Please explain why the “overall changes in price levels from year to year of goods and services in the United States” is appropriate to apply in a wastewater utility original cost study.
  - b. Please describe the goods and services that the CPI-U is calculated from.

RESPONSE: The Company objects to this request as it is beyond the scope of books, records or other information in its possession required to be produced under S.C. Code Ann. §58-4-55. Further responding, the Company objects to this request to the extent that it seeks to discover information subject to the protections of the attorney work product doctrine. Subject to the foregoing objection, the Company states that the referenced pre-filed witness testimony speaks for itself.

4. Refer to Clayton Prefiled Direct Testimony, Page 5, lines 12-22:
  - a. Do the ENR or HW indices include costs for construction materials that are specific or very similar to those used in sewer collection line and lift station construction?
  - b. Are the utility construction costs considered in ENR and HW more representative to those a sewer company would use than the goods and services costs found in the CPI-U?
  - c. Was the comparison of the three indices made prior to the development of the original cost study or after?
  - d. If the ENR and HW indices were price prohibitive how were the indices obtained to make the comparison referenced in c above?

RESPONSE: The Company objects to this request as it is beyond the scope of books, records or other information in its possession required to be produced under S.C. Code Ann. §58-4-55. Further responding, the Company objects to this request to the extent that it seeks to discover information subject to the protections of the attorney work product doctrine. Subject to the foregoing objection, the Company states that the referenced pre-filed witness testimony speaks for itself.

5. Refer to Daday Prefiled Direct Testimony, Page 6, lines 6-9. Please reconcile “the facilities acquired were not an operating unit or system and were not devoted to utility service by the prior owner, which was the City” with the first recital in the APA which states: “Seller (i.e. the City) operates a sanitary sewer collector system serving approximately 3,160 customers in the Long Creek Area and approximately 8,210 customers in the Extended Area.”

RESPONSE: The Company objects to this request as it is beyond the scope of books, records or other information in its possession required to be produced under S.C. Code Ann. §58-4-55. Further responding, the Company objects to this request to the extent that it seeks to discover information subject to the protections of the attorney work product doctrine. Subject to the foregoing objection, the Company states that the referenced pre-filed witness testimony speaks for itself.

6. Refer to Daday Prefiled Direct Testimony, Page 7, lines 9-11.

- a. Please identify the portion of the APA that lists the donated property.
- b. How do you know the property was donated?
- c. Are lift stations the only donated property listed in the asset purchase agreement?

RESPONSE: The Company objects to this request as it is beyond the scope of books, records or other information in its possession required to be produced under S.C. Code Ann. §58-4-55. Further responding, the Company objects to this request to the extent that it seeks to discover information subject to the protections of the attorney work product doctrine. Subject to the foregoing objection, the Company states that the referenced pre-filed witness testimony and referenced document speaks for itself.

7. Refer to Daday Prefiled Direct Testimony, Page 7, lines 7-8. Please provide all native workpapers that support the \$0.9 million amount of donated CIAC.

RESPONSE: The referenced figure was developed by the Company's testifying expert witness Harold Walker, the results of which are reflected in the pertinent exhibit attached to his testimony. The Company therefore objects to this request as it is beyond the scope of books, records or other information in its possession required to be produced under S.C. Code Ann. §58-4-55. Subject to that objection, the Company states that it does not know whether the requested documents exist.

8. Refer to the Prefiled Direct Testimony of Harold Walker:
  - a. Refer to Exhibit HW-1, page 3. Is it your understanding the referenced sections of the USOA should and would apply to the assets purchased by PUI? Why or why not?
  - b. Refer to page 2, Lines 1-30 and page 3, lines 1-4. Should PUI continue to charge Expansion fees to customers after the transfer of the assets? Why or why not?
  - c. Refer to the response to 12b above. If the response was in the affirmative, how should the Expansion fees be accounted for under the NARUC Chart of Accounts?
  - d. Refer to HW-2. Please cite all case dockets and/or engagements in which Mr. Walker performed, reviewed or sponsored an Original Cost Study.

RESPONSE: The Company objects to this request as it is beyond the scope of books, records or other information in its possession required to be produced under S.C. Code Ann. §58-4-55.

Thank you,  
Daniel Hunnell II  
803.737.0780